DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

January 5, 2018

MEMORANDUM FOR ERIC M. THORSON
INSPECTOR GENERAL

FROM: Rich Delmar
Counsel

SUBJECT: Requests for Inquiry Re Analysis of Tax Reform Bill

On November 30, 2017 Senator Warren asked you to inquire into the Department's analysis of the tax reform legislation considered and ultimately passed by Congress in 2017. On December 5, Ranking Member Wyden of the Senate Finance Committee wrote, requesting that in addition to responding to Senator Warren's concerns, we review the removal of a 2012 economic analysis from the Department's website for allegedly "political" purposes. In addition, a group called Democracy Forward wrote on December 4, asking that we look into a letter they had sent to the Department on November 13, regarding the applicability of the Information Quality Act (§ 515, P.L. 106-554), to the analyses and revenue estimates propounded by the Department. All three letters are attached[1].

You tasked me to conduct an inquiry, to ascertain the facts, and provide a basis to respond to these requests. In the course of conducting this inquiry, we received from Treasury's Office of General Counsel arguments regarding the propriety of the Senators' requests, and of the proper role of this office in reviewing the Department's execution of its "core responsibility" of proposing and reviewing legislation, and developing policy on federal taxation. OGC provided input reflecting the Department's position on use of dynamic scoring, and certain assumptions regarding levels of economic growth.

I reviewed this information, and interviewed Treasury officials with relevant knowledge. My findings and conclusions are set out below.

It bears observation that we are regularly asked by external stakeholders to review Departmental actions, and that such requests can at times be perceived as having

[1] I asked OGC how the Department planned to respond to the Democracy Forward letter I was advised that OGC is working with the Department's CIO office, and that a response is anticipated later this month. I will follow-up and get a copy of the response. In the meantime, I was referred to material on the Treasury website regarding the Department's guidance on this; I have set out excerpts as an attachment, and I will review the Department's response against the requirements and standards therein.

partisan predicates or particular agendas. Treasury OIG understands its proper role regarding oversight and review of Treasury programs and operations, as well as the scope of its jurisdiction under the Inspector General Act, and rigorously conducts its reviews objectively and fairly.

Senator Warren asked that we inquire whether Treasury resources were used to conduct analyses of "Republican tax proposals," including H.R. 1 and related legislation; whether any such analyses were conducted using "standard Department protocol and precedent;" whether there was "political interference" in any such analyses, such as exclusion of career officials and expert economists from any economic modeling and analysis efforts; and "the reasons why these analyses were not publicly released or provided to Congress."

Senator Warren's request primarily cited assertions contained in media accounts; most notably a November 30 New York Times article: "Ahead of Vote, Promised Treasury Analysis of Tax Bill Proves Elusive." This article presented actions and views attributed to James Mackie, the Director of the Treasury Office of Tax Analysis (OTA), who reports to the Assistant Secretary for Tax Policy. Therefore we solicited his input into the matters asserted in the article and raised by the Senator. We also interviewed Thomas West, Treasury's Tax Legislative Counsel, whose office works with and advises OTA.

The November 30, 2017 Times article stated:

> An economist at the Office of Tax Analysis, who spoke on the condition of anonymity so as not to jeopardize his job, said Treasury had not released a "dynamic" analysis showing that the tax plan would be paid for with economic growth because one did not exist.
>
> Instead of conducting full analyses of tax proposals, staff members have been running numbers on individual provisions or policy ideas, like lowering the tax rate on so-called pass-through businesses and figuring out how many family farms would benefit from the repeal of the estate tax. Activity has picked up more recently as Treasury has sought to provide technical assistance to the Joint Committee on Taxation and the Congressional Budget Office for their estimates.
>
> The Joint Committee on Taxation released an analysis on Thursday that found the Senate tax plan would add $1 trillion to the deficit over a decade even when accounting for economic growth.

Mr. Mackie stated that in his view this JCT analysis was accurate.

The article went on to say:

> Mr. Corker said that Treasury Department officials told him last week that he would be provided with a Treasury analysis before the full Senate considered the bill. But he said this week that Treasury was unable to deliver on that promise when officials met with him on Monday to assuage his concerns about the cost of the Senate tax cuts.
>
> In 2006, Mr. Bush's Treasury Department did a dynamic analysis of the effects of making his tax cuts permanent, and the results undercut some of the arguments about the merits of such a move.

Mr. Mackie stated he had no knowledge regarding the views attributed to Senator Corker. As to the 2006 "dynamic analysis", he responded:

> This is a mostly accurate statement (the reporter might have meant to point to a paper analyzing the effects of the 2005 Bush Tax Panel's plans, but the statement is essentially correct in any event). The referenced analysis casts doubt on the likelihood that tax reform would increase GDP to the extent assumed or argued for by the Trump Administration. However, some of the Trump Administration's arguments refer to the effects of all of their policy's [*sic*] on GDP, not just the effects of tax changes.

The Times article alleged:

> The lack of an economic analysis comes during tension between the Treasury's political appointees and the career tax experts in the Office of Tax Analysis. According to current and former employees of the department and the people who know them, the career employees have been largely shut out of the process.

Mr. Mackie strongly disputed this, stating that "OTA has not been shut out of the tax reform process. We have played a major role throughout the process."

The article quoted a former OTA employee:

> These people [OTA and Treasury economists and other professionals] are dyed-in-the-wool bureaucrats; they are passionate about it, and to kind of have their views disregarded, I don't think any of them have really seen it to this degree," said Austin Frerick, an economist at the Office of Tax Analysis who left in May to run for Congress as a Democrat in Iowa. "That's where the frustration comes."
>
> The angst among the career employees in the department began to bubble up earlier this year, Mr. Frerick said, when Treasury's political appointees started to press to remove a 2012 research paper that contradicted the administration's views about how much corporate tax cuts would lead to wage growth. According to Mr. Frerick, the discussions sometimes grew tense to the point that James Mackie, the director of the Office of Tax

> Analysis and a longtime Treasury employee, would leave the office visibly upset. "He was mad about it," said Mr. Frerick, who used to sit next to Mr. Mackie. "He left the discussions very frustrated."

Mr. Mackie countered this by stating that Mr. Frerick was not a member of OTA's policy staff, which is composed mainly of PhD economists. He observed that Mr. Frerick left OTA in May of 2017 and so could have no first-hand knowledge of events that occurred in August and September, as did these. Lastly, he noted that Mr. Frerick was not in OTA when the 2012 paper was pulled and so could have no first-hand knowledge of the event or of Mr. Mackie's reaction.

Mr. Mackie further disputed the following statements in the Times article:

> According to one treasury economist, Secretary Mnuchin hadn't released an analysis showing that the corporate tax cuts will pay for themselves "because one did not exist."
>
> In fact, many experts in the Treasury's Office of Tax Policy "are not working on the type of detailed analysis" that Secretary Mnuchin has touted. Reports also indicate that the "career employees have been largely shut out of the process," and that political appointees have been working to conduct such analyses.

Mr. Mackie stated that he and his staff conducted analyses, that they were fully engaged, and not barred from the analysis process.

Senator Warren asked whether the Treasury analyses "were conducted using standard Department protocol and precedent." We were told that there is no "standard protocol," and that the work done in this Administration "is similar to the work we have done for prior Administrations. Little if anything is different." We were advised that there is no SOP or directive regarding OTA's work products, and that everything OTA does is dependent on policy debates within the administration, Congress, and elsewhere. OTA produces reports, studies, and analyses, all of which are public. They produce a "Green Book" or a "Blue Book" regarding economic analyses, but last year there wasn't one because the Trump administration was focused on tax reform. Mr. Mackie specifically stated that he was under no pressure to post or not post anything. And he specifically denied receiving or perceiving any "political interference" in his office's analytical work. He and other career personnel were not excluded. He specifically said "We have played our usual role."

Lastly, Senator Warren asked for "[t]he reasons why these analyses were not publicly released or provided to Congress." Mr. Mackie stated that he had no knowledge on this matter. Mr. West, the Tax Legislative Counsel, advised that there had been a significant amount of dialog between Treasury and staffers on the relevant Congressional committees throughout the legislative process during 2017.

On December 11, 2017, after we received the Congressional requests and had conducted our initial interviews, the Department issued its Analysis of Revenue Estimates.[2] Below are underlined excerpts from that analysis, and responses obtained from OTA officials:

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[2] Treasury Releases Analysis of Revenue Estimates Associated with Administration Economic Policies 12/11/2017

Washington – The U.S. Department of the Treasury today released a summary analysis from the Office of Tax Policy (OTP) of the expected tax receipts associated with the Administration's economic growth initiatives. Among the key findings is that $1.8 trillion of additional revenue would be generated over 10 years based upon expected growth.

"We are pleased to release an analysis demonstrating the revenue impact of the Administration's economic agenda. The Administration has been focused on tax reform and broader economic policies to stimulate growth, which will generate significant long-term revenue for the government," said U.S. Treasury Secretary Steven T. Mnuchin.

The work done by OTP has been critical to Treasury's contributions to The Unified Framework released in September 2017. We appreciate that OTP has been also providing important technical assistance to the House Ways and Means Committee and the Senate Finance Committee as tax reform has proceeded.

A copy of the paper may be accessed here: Analysis of Growth and Revenue Estimates Based on the U.S. Senate Committee on Finance Tax Reform Plan December 11, 2017

Treasury's Office of Tax Policy (OTP) has modeled the Senate Finance tax reform plan and overall has similar analysis to the Joint Committee on Taxation (JCT) on a static basis, with a score of approximately -$1.5 trillion on a current law basis and approximately - $1 trillion on a current policy basis. 1 The difference between current law and current policy is that current law assumes existing provisions that are set to expire, such as bonus depreciation, do expire; while current policy assumes these are renewed, as has often been the case historically.

In addition to a static score, JCT calculated the increase in government tax receipts in the Senate Finance tax plan due to growth. They estimated $408 billion of additional tax revenue. Adding this $408 billion to the static score leads to a change in total projected receipts under JCT's assumptions of approximately - $1 trillion on a current law basis.

OTP has modeled the revenue impact of higher growth effects, using the Administration projections of approximately a 2.9% real GDP growth rate over 10 years contained in the Administration's Fiscal Year 2018 budget.2

OTP compared this 2.9% GDP growth scenario to a baseline of previous projections of 2.2% GDP growth. Treasury expects approximately half of this 0.7% increase in growth to come from changes to corporate taxation. We expect the other half to come from changes to pass-through taxation3 and individual tax reform, as well as from a combination of regulatory reform, infrastructure development, and welfare reform as proposed in the Administration's Fiscal Year 2018 budget.

This 0.7% increase in the annual real growth rate results in an increase in tax revenues during the 10-year period of approximately $1.8 trillion. Adding this $1.8 trillion of incremental revenue to the static current law score of -$1.5 trillion results in total receipts over the 10-year window increasing by $300 billion. These increased receipts are primarily collected in the last five years, as full expensing creates growth in early years but results in a deferral of collection of taxes.

We acknowledge that some economists predict different growth rates. OTP projects that at approximately 0.35% of incremental annual GDP growth, Treasury tax receipts would generate approximately $1 trillion of incremental revenue. Neither JCT nor Treasury has released a score showing increased tax receipts from the House plan, though we would not expect the results to be materially different.

1 OTP assumed similar levels of savings from the repeal of Obamacare's individual mandate as JCT. All scores are on a 10-year time period.

2 More specifically, growth is 2.5% in 2018, 2.8% in 2019, and 3.0% thereafter, as developed by Treasury, OMB, and CEA for the President's budget (FY2018).

In addition to a static score, JCT calculated the increase in government tax receipts in the Senate Finance tax plan due to growth. They estimated $408 billion of additional tax revenue. Adding this $408 billion to the static score leads to a change in total projected receipts under JCT's assumptions of approximately - $1 trillion on a current law basis.

We asked Mr. Mackie if OTA agreed with this JCT calculation and the analysis that underlies it. He replied that OTA had no official position on the JCT estimates, but indicated that the estimates "are widely considered to be reasonable."

OTP has modeled the revenue impact of higher growth effects, using the Administration projections of approximately a 2.9% real GDP growth rate over 10 years contained in the Administration's Fiscal Year 2018 budget.

We asked Mr. Mackie if his office's research and analysis support the conclusion that this level of real GDP growth rate over ten years is likely. He declined to provide a substantive answer. We note that studies and data compilations have been issued that indicate that a period of GDP growth at this level and for this duration is rare. See, e.g., *Compounded Annual Rate of Change, Seasonally Adjusted Annual Rate*[3].

OTP compared this 2.9% GDP growth scenario to a baseline of previous projections of 2.2% GDP growth. Treasury expects approximately half of this 0.7% increase in growth to come from changes to corporate taxation. We expect the other half to come from changes to pass-through taxation and individual tax reform, as well as from a combination of regulatory reform, infrastructure development, and welfare reform as proposed in the Administration's Fiscal Year 2018 budget.

We asked Mr. Mackie if OTA's internal analysis support these Treasury expectations. While he cautioned that OTA did not have an official position, and that the 0.7% increase's "split" referenced in the statement was not the product of OTA analysis, he did say "it seems broadly reasonable."

This 0.7% increase in the annual real growth rate results in an increase in tax revenues during the 10-year period of approximately $1.8 trillion. Adding this $1.8 trillion of incremental revenue to the static current law score of - $1.5 trillion results in total receipts over the 10-year window increasing by $300 billion. These increased receipts are primarily collected in the last five years, as full expensing creates growth in early years but results in a deferral of collection of taxes.

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3 Business tax receipts are estimated to be approximately half from corporations and half from pass-through businesses, although this has varied over time.

[3] Source: Bureau of Economic Analysis, through Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/GDPC1, January 4, 2018. See also http://www.multpl.com/us-real-gdp-growth-rate/table/by-year.

We asked Mr. Mackie if OTA's internal analysis supports this expected increase in total receipts. He said that it did, "conditional on the increase in GDP assumed in the calculations," which are discussed herein, and appear dependent on the use of "dynamic scoring."

Observations and Conclusions

Based on our discussions with the Director of the Office of Tax Analysis and the Treasury Tax Legislative Counsel, we advise that they insisted that career staff available to provide advice (which we learned totals around 90 people, mostly economists and lawyers in OGC) were fully engaged in providing analyses of legislative proposals and reviewing outside inputs such as assumptions about GDP growth and other external influences. They refuted assertions that they were not engaged, and that they had not provided analyses along the lines of Secretary Mnuchin's public statements about the process.

They refuted the accuracy of the Times article's statement that "Reports also indicate that the 'career employees have been largely shut out of the process, and that political appointees have been working to conduct such analyses.

Both indicated, when asked whether these analyses were conducted using standard Department protocol and precedent, that "standard protocol" does not actually exist, and further indicated that their work in the current administration is largely similar to the work conducted in the last administration.

They denied political interference in the analyses they did; stated that career officials have not been excluded, and in fact have performed the same roles and functions as they have in the past.

When asked why OTA analyses were not publically released or provided to Congress, they indicated that OTA had worked back and forth with tax writing committee staff and others in Congress earlier in the year, and had gotten the impression as the legislative drafting process picked up in the second half of the year that the Congressional people were less interested in getting OTA's input.

In sum, it is unclear whether the Department's involvement in the tax legislating process in 2017 has been any more or less "political" than it has been in past years. Administrations exercise choice and discretion, which includes choosing the underlying assumptions and principles that will predicate their programs. Certainly there is a wide range of academic and professional analysis and prediction, which leads to a wide range of projected possible future economic and financial environments, all of which can greatly affect the final figures in a formal analytic product, and in the bases for a system of taxation. Much attention has been focused on the current Administration's assumption that there will be 10 years of GDP growth at the rate projected in the President's 2018 Budget, which is a higher number than both Congressional Budget

Office and Blue Chip projections[4]. Bureau of Economic Analysis data indicate that such a run, in duration and magnitude, would be greater than has been the case in the U.S. since World War II[5].

That said, after reviewing the matter and obtaining the evidence of knowledgeable career Treasury officials, I do not see a basis to conclude that the process employed by Treasury this past year was contrary to law, an abuse of authority, or otherwise improper.

[4] See the table (attached) in the *Analytical Perspectives* volume of the President's 2018 Budget, at http://www.budget.gov/ budget/ Analytical Perspectives

[5] Bureau of Economic Analysis https://bea.gov/national/index.htm#gdp, reporting GDP Percent Change From Preceding Period; see also "US Real GDP Growth Rate Per Year, Annual percentage change in US Real GDP, chained 2009 dollars (inflation-adjusted)", http://www.multpl.com/us-real-gdp-growth-rate/table/by-year.

ELIZABETH WARREN
MASSACHUSETTS

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November 30, 2017

The Honorable Eric M. Thorson
Inspector General
Department of the Treasury
1500 Pennsylvania Avenue NW, Room 4436
Washington, DC 20220

Dear Inspector General Thorson:

I write to request an investigation into the Department of Treasury's alleged economic analysis of the Republican tax plan.

On April 20th, Treasury Secretary Steven Mnuchin claimed that the Republican tax plan "will pay for itself with growth."[1] In late September, Secretary Mnuchin went further, claiming that "not only will this tax plan pay for itself, but it will pay down debt."[2] Such claims have been widely disproven by independent budgetary and economic experts.[3] In fact, President Bush's former Treasury Secretary, Paul O'Neill, was "dumbfounded by the notion that the tax cuts…would not add to the debt," and stated that "the whole thing seems astounding to me…the idea that after the most recently completed fiscal year where we had a $660 billion deficit we're talking about a big tax cut."[4]

Despite a lack of evidence to support his assertions, Secretary Mnuchin has claimed that over 100 people are "working around the clock on running scenarios for us" to show that these corporate tax cuts will pay for themselves.[5] Secretary Mnuchin "has promised that Treasury will release its analysis[.]"[6] Yet as Senate Republicans prepare to vote within the next day on the tax plan, the Department of Treasury has failed to produce any economic analysis supporting Secretary Mnuchin's claims that the cuts will pay for themselves – in fact, they haven't released any formal analysis of the bill's economic impact at all.[7]

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[1] Damian Paletta and Max Ehrenfreund, "Trump's treasury secretary: The tax cut 'will pay for itself'," *Washington Post* (Apr. 20, 2017) (online at https://www.washingtonpost.com/news/wonk/wp/2017/04/20/trumps-treasury-secretary-the-tax-cut-will-pay-for-itself/?utm_term=.d458553bc108).
[2] Kate Davidson, "Treasury Secretary Steven Mnuchin: GOP Tax Plan Would More Than Offset Its Cost," *Wall Street Journal* (Sept. 28, 2017) (online at https://www.wsj.com/articles/treasury-secretary-steven-mnuchin-gop-tax-plan-would-more-than-offset-its-cost-1506626980).
[3] *See, e.g.*, "Do Tax Cuts Pay For Themselves," *Committee for a Responsible Federal Budget* (Aug. 6, 2015) (online at http://www.crfb.org/blogs/do-tax-cuts-pay-themselves).
[4] Alan Rappeport, "Ahead of Vote, Promised Treasury Analysis of Tax Bill Proves Elusive," *New York Times* (Nov. 30, 2017) (online at https://www.nytimes.com/2017/11/30/us/politics/treasury-analysis-tax-bill.html?rref=collection%2Fsectioncollection%2Fpolitics&action=click&contentCollection=politics&region=stream&module=stream_unit&version=latest&contentPlacement=4&pgtype=sectionfront&_r=0).
[5] *Id.*
[6] *Id.*
[7] *Id.*

According to one treasury economist, Secretary Mnuchin hadn't released an analysis showing that the corporate tax cuts will pay for themselves "because one did not exist."[8] In fact, many experts in the Treasury's Office of Tax Policy "are not working on the type of detailed analysis" that Secretary Mnuchin has touted.[9] Reports also indicate that the "career employees have been largely shut out of the process," and that political appointees have been working to conduct such analyses.[10]

Either the Treasury Department has used extensive taxpayer funds to conduct economic analyses that it refuses to release because those analyses would contradict the Treasury Secretary's claims, or Secretary Mnuchin has grossly misled the public about the extent of the Treasury Department's analysis. I am deeply concerned about either possibility.

I am therefore asking that your office conduct a review of the Department's use of taxpayer dollars to conduct economic analysis of this tax plan.

I ask that your review examine:

1. Whether and Treasury Department resources have been directed and used to conduct analyses of the Republican tax proposals, including H.R. 1, the Tax Cuts and Jobs Act; the tax reform reconciliation bill considered in either the Senate Finance Committee or the Senate Budget Committee; or any other version of the Republican-introduced tax cut legislation, as well as the results of any such analysis.

    a. If so, please investigate and provide an accounting of those resources.

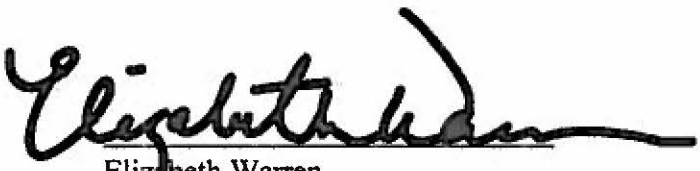
2. Whether these analyses were conducted using standard Department protocol and precedent.

3. Whether there was any political interference in these analyses, including whether the Treasury Department excluded career officials and expert economists from modeling and tax plan analysis efforts.

4. The reasons why these analyses were not publicly released or provided to Congress.

I also request that you publicly release any analyses of Republican tax proposals that the Department conducted using taxpayer funds.

Sincerely,



Elizabeth Warren
United States Senator

[8] *Id.*
[9] *Id.*
[10] *Id.*

United States Senate
COMMITTEE ON FINANCE
WASHINGTON, DC 20510–6200

December 5, 2017

The Honorable Eric M. Thorson
Inspector General
U.S. Department of Treasury
Office of Inspector General
1500 Pennsylvania Avenue, N.W.
Room 4436
Washington, DC 20220

Dear Inspector General Thorson:

I am writing in response to reports that you plan to investigate whether political considerations interfered with the release of a Treasury Department economic analysis of the Republican tax plan.

In pitching the proposal, Secretary Mnuchin promised that Treasury will release its analysis of the proposal.[1] In fact, he stated over 100 people in the Treasury tax group were "working around the clock running scenarios" to evaluate the revenue impact of the tax proposal.[2] Secretary Mnuchin also noted in late September that "not only will this tax plan pay for itself, but it will pay down debt."[3] Such an analysis would have been of great interest, since Secretary Mnuchin's assertions about the impact of the tax bill contradict those of many experts. However, no analysis supporting this assertion was ever produced.

This controversy comes on the heels of the Treasury Department's removal of an Office of Tax Analysis economic paper which contradicted another assertion by Secretary Mnuchin.[4] In September, Secretary Mnuchin stated that "most economists believe that over 70 percent of

[1] Alan Rappeport, "Ahead of Vote, Promised Treasury Analysis of Tax Bill Proves Elusive," New York Times (Nov. 30, 2017) (online at https://www.nytimes.com/2017 /l l/30/us/politics/treasury-analysis-taxbill.).
[2] CNBC Transcript: U.S. Treasury Secretary Steve Mnuchin Sits Down with CNBC's Becky Quick on "Squawk Box" Today (Feb. 23, 2017) (online at https://www.cnbc.com/2017/02/23/first-on-cnbc-cnbc-transcript-us-treasury-secretary-steve-mnuchin-sits-down-with-cnbcs-becky-quick-on-squawk-box-today.html)
[3] Kate Davidson, "Treasury Secretary Steven Mnuchin: GOP Tax Plan Would More Than Offset Its Cost," Wall Street Journal (Sept. 28, 2017) (online at https://www.wsj .com/articles/treasury-secretary-steven-mnuchin-gop-taxplan-would-more-than-offset-its-cost-1506626980).
[4] Richard Rubin, "Treasury Removes Paper at Odds With Mnuchin's Take on Corporate Tax-Cut's Winners," Wall Street Journal (Sept. 28, 2017) (online at https://www.wsj.com/articles/treasury-removes-paper-at-odds-with-mnuchins-take-on-corporate-tax-cuts-winners-1506638463).

corporate taxes are paid for by the workers."[5] However, the May 2012 paper, Office of Tax Analysis Technical Paper 5, from the Treasury Office of Tax Analysis strongly disputed that conclusion, finding that workers pay 18% of the corporate tax while owners of capital pay 82%. This paper was recently removed from the Treasury Department's website.[6]

I am concerned about the possibility that the Treasury Department is burying critical research an effort to mislead the public. I request that in addition to your review of potential political interference with Treasury Department analysis of the Republican tax plan, you reevaluate the removal of the May 2012 technical paper and determine whether there is a larger pattern of political interference with nonpartisan Treasury analysis.

Thank you for your attention to these matters.

Sincerely,

Ron Wyden
Ranking Minority Member

[5] Fox News Transcript: Sec. Mnuchin Talks Cutting off North Korea Economically (Sept. 03, 2017) (online at http://www.foxnews.com/transcript/2017/09/03/sec-mnuchin-talks-cutting-off-north-korea-economically.html)
[6] https://www.wsj.com/public/resources/documents/May2012corptaxpaper.pdf

DEMOCRACY FORWARD FOUNDATION

By Email and Mail

December 4, 2017

The Honorable Eric M. Thorson
Inspector General
Department of the Treasury
1500 Pennsylvania Avenue NW, Room 4436
Washington, DC 20220

Re: *Request for Further Investigation into Treasury Tax Analysis*

Dear Inspector General Thorson:

I understand that the Office of the Inspector General has launched a "top priority" inquiry, in response to questions regarding whether "the Treasury Department has used extensive taxpayer funds to conduct economic analyses that it refuses to release because those analyses would contradict the Treasury secretary's claims, or Secretary Mnuchin has grossly misled the public about the extent of the Treasury Department's analysis."[1] In the course of that inquiry, I respectfully request that OIG investigate additional misleading statements made by the Department about the Administration's tax reform framework as well as efforts to conceal conflicting and longstanding analysis by career employees.

As described in the attached Request for Correction filed by Democracy Forward pursuant to the Information Quality Act, the Department publicly disseminated misleading and unreliable information in violation of the IQA by asserting that the average American household would benefit by "$4,000–9,000"[2] under President Trump's tax proposal and that "70 Percent"[3] of the corporate tax burden falls on American workers. Both claims lack credible justification, and the 70 percent figure has been refuted by a 2012 study by Treasury economists that the Department subsequently removed from its website.[4]

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[1] Jim Puzzanghera, *Inspector General Launches Inquiry into Whether Treasury Hid Republican Tax Bill Analysis*, L.A. Times (Nov. 30, 2017, 2:46 PM), http://www.latimes.com/politics/washington/la-na-pol-essential-washington-updates-inspector-general-launches-inquiry-into-1512084180-htmlstory.html.

[2] @AmericaNewsroom, Twitter (Oct. 18, 2017, 1:23 PM), https://twitter.com/americanewsroom/status/920701913615781890.

[3] Catherine Rampell, *The Report Trump Officials Don't Want You to See*, Wash. Post (Oct. 2, 2017), https://www.washingtonpost.com/opinions/the-report-trump-officials-dont-want-you-to-see/2017/10/02/f6c77a6c-a7ab-11e7-850e-2bdd1236be5d_story.html?utm_term=.bddd40535552.

[4] Richard Rubin, *Treasury Removes Paper at Odds with Mnuchin's Take on Corporate-Tax Cut's Winners*, Wall Street J. (Sept. 28, 2017 6:41 PM), https://www.wsj.com/articles/treasury-removes-paper-at-odds-with-mnuchins-take-on-corporate-tax-cuts-winners-1506638463.

DEMOCRACY FORWARD FOUNDATION

I am therefore asking that OIG include these statements and efforts to conceal contradictory analysis as part of its ongoing investigation.

Sincerely,

Anne Harkavy
Executive Director
Democracy Forward Foundation

Enclosure

DEMOCRACY FORWARD FOUNDATION

By Fed Ex and Email

November 13, 2017

U.S. Department of the Treasury
Chief Information Office
Information Quality Program/IM
1750 Pennsylvania Ave, NW
11th Floor Washington, DC 20220

Re: *Request for Correction Under the Information Quality Act*

To whom it may concern:

On behalf of Democracy Forward Foundation ("DF"), I respectfully submit this Request for Correction pursuant to the Information Quality Act ("IQA") to the Department of the Treasury ("Department" or "Treasury") to retract and correct misleading and unreliable information issued by the Department as part of the current public policy discussion on tax reform. The information in question is directly contrary to data previously disseminated by the Department and to quality financial, economic, and statistical data.

The IQA, found at Section 515 of Public Law 106-554, and its implementing guidelines require that information disseminated to the public by federal agencies, including Treasury, be accurate, reliable, and unbiased.[1] As described below, the Department's statements in support of the "Unified Framework for Fixing Our Broken Tax Code" ("Unified Framework"), unveiled on

[1] Consolidated Appropriations Act, 2001, Pub. L. No. 106–554, § 515, 114 Stat. 2763, 2763A-153 & 154, 44 U.S.C. § 3516, note (West); Office of Mgmt. & Budget, Exec. Office of the President, Guidelines for Ensuring and Maximizing the Quality, Objectivity, Utility, and Integrity of Information Disseminated by Federal Agencies, 67 Fed. Reg. 8452 (Feb. 22, 2002) ("OMB Guidelines"), https://www.gpo.gov/fdsys/pkg/FR-2002-02-22/pdf/R2-59.pdf; U.S. Dep't of Treasury, *Information Quality Guidelines: Process* (2011), https://www.treasury.gov/about/organizational-structure/offices/Mgt/Pages/infoprocess.aspx; U.S. Dep't of Treasury, *Procedures for Implementation of the Information Quality Law* (2011) ("Departmental Offices Guidelines"), https://www.treasury.gov/about/organizational-structure/offices/Mgt/Pages/infoqual-do.aspx.

September 27, 2017 by the Treasury, the White House, and Congressional Republicans, have violated these requirements. This letter addresses two such statements.

First, the Department asserted that the average American household would benefit by "$4,000–9,000 once the tax plan is fully, obviously, operational" ("$4,000–9,000 Figure"). The Department offers no support for this figure. Additionally, common sense does not square with the $4,000–9,000 Figure, even at the low end of the estimate. As explained by one preeminent economist and former Chair of the Council of Economic Advisors, for the Unified Framework to result in a $4,000–9,000 income rise in an economy with 125 million households, the total number of households would need to benefit by $550 billion to $1.1 trillion, which is more than two to five times the amount of the contemplated tax cut.

Second, the Department asserted that "more than 70 percent of the corporate tax burden falls on American workers" ("70 Percent Figure"). Yet, longstanding Department analysis by career economists contradicts this statement, estimating instead that the burden is less than 20 percent. Analysis by other federal entities also contradicts the 70 Percent Figure. Equally troubling, the Department removed the originating study on the issue from its website.

The Department's dissemination of both the $4,000–9,000 Figure and 70 Percent Figure in violation of the IQA misinforms the public and manipulates the consideration of tax reform. Accordingly, I request that the Department retract and correct the $4,000–9,000 and 70 Percent Figures within 60 days.

As explained in more detail below, DF has a significant interest in using accurate, reliable, and unbiased data and information regarding tax reform to educate the public about this pressing policy issue of national concern.

I. The Department Should Retract and Correct the $4,000–9,000 and 70 Percent Figures.

A. The Department's assertion that cutting the corporate tax rate would benefit the average American household by $4,000–9,000 lacks justification and conflicts with common sense.

Tax reform is a core public policy area. A central issue in the current consideration of tax reform is whom would benefit from the corporate tax cut, which is a major feature of the

package of reforms being pursued by the White House and Republican members of Congress.[2] On October 18, 2017, the Department's Assistant Secretary for Public Affairs, Tony Sayegh Jr., claimed in a Fox News Channel interview that a reduction in the corporate tax would benefit the average American household by "$4,000–9,000 once the tax plan is fully, obviously, operational."[3]

Neither Assistant Secretary Sayegh nor the Department credibly support or explain this claim.[4] They simply insist that the $4,000–9,000 Figure is the "obvious[]"[5] outcome of the Unified Framework, though the Framework is only a "template" with "additional reforms" and details to come.[6] Former Chair of the Council of Economic Advisors Jason Furman pointed out the basic, common-sense error with even the lower bound estimate: "if all 125 million households got a [$4,000–9,000] raise like that, it would amount to an annual increase in total wages of between $550 billion and $1.1 trillion. That's between 275% and 550% of the total cost of the $200 billion corporate tax cut—implying a supply-side effect that's more than a little far-fetched."[7]

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[2] U.S. Dep't of Treasury, *Unified Framework for Fixing Our Broken Tax Code* (2017), https://www.treasury.gov/press-center/press-releases/Documents/Tax-Framework.pdf.

[3] @AmericaNewsroom, Twitter (Oct. 18, 2017, 1:23 PM), https://twitter.com/americanewsroom/status/920701913615781890.

[4] On some occasions, the Department gestures at a report by the Council on Economic Advisors (CEA) to justify the $4,000–9,000 Figure. *See, e.g.*, Stephen T. Mnuchin, *Tax Reform Will Boost Workers and Business*, Phila. Inquirer (Oct. 18, 2017, 5:00 AM) (citing Council of Econ. Advisors, *Corporate Tax Reform and Wages: Theory and Evidence* (2017), https://www.whitehouse.gov/sites/whitehouse.gov/files/documents/Tax%20Reform%20and%20Wages.pdf), http://www.philly.com/philly/opinion/commentary/mnuchin-tax-reform-individual-corporate-rates-economy-20171018.html. However, even an author cited in the CEA report objects to its analysis. Mihir A. Desai, whose research the CEA favorably cites, distanced himself and his co-authors from the CEA's findings, tweeting that the analysis in the report has "little relation" to his cited work. @desaimihira, Twitter (Oct. 17, 2017, 11:12 AM), https://twitter.com/desaimihira/status/920306523804524544.

[5] @AmericaNewsroom, supra note 3.

[6] *See* U.S. Dep't of Treasury, *Unified Framework*, *supra* note 2, at 3.

[7] Jason Furman, *No, the GOP Tax Plan Won't Give You a $9,000 Raise*, Wall Street J. (Oct. 22, 2017, 4:01 PM), https://www.wsj.com/articles/no-the-gop-tax-plan-wont-give-you-a-9-000-raise-1508702509.

B. The 70 Percent Figure Directly Conflicts with Multiple Prior Statements by The Department and Other Budget and Tax Entities.

On October 18, 2017, in a *Philadelphia Inquirer* article, Secretary Mnuchin touted this tax reform plan as one under which "[i]ndividual and business tax reform will give U.S. workers the long [] overdue pay raise they deserve."[8] Secretary Mnuchin then asserted that "[e]conomists have found that more than 70 percent of the corporate tax burden falls on American workers."[9]

The 70 Percent Figure, however, conflicts with data and analysis by Treasury's career economists and tax experts, including as recently as January 2017. A 2012 study, "Distributing the Corporate Income Tax: Revised U.S. Treasury Methodology," ("2012 Study") by the Office of Tax Analysis (OTA), the Department's in-house tax economics think tank,[10] found that "82 percent of the corporate income tax burden is borne by [...] capital income and 18 percent is borne by labor [income]."[11] OTA subsequently published the paper in a respected, peer-reviewed tax journal.[12] This same information also appeared in Treasury's 2015 "Distributional Analysis of the Tax System," a foundational analysis of tax burdens that shows how "proposed changes in tax law affect the distribution of after-tax income across families" and "provide[s] policy makers with guidance on the fairness of the current or proposed federal tax burden."[13] Treasury again

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[8] Mnuchin, *supra* note 4.

[9] *Id.*

[10] Among other functions, the Office of Tax Analysis "analyzes the effects of the existing tax law and alternative tax programs and prepares a variety of background papers, position papers, policy memoranda, and analytical reports on economic aspects of domestic and international tax policy." U.S. Dep't of Treasury, *Resource Center* (Mar. 16, 2017, 4:08 PM), https://www.treasury.gov/resource-center/tax-policy/Pages/Tax-Analysis-and-Research.aspx.

[11] Julie-Anne Cronin et al., U.S. Dep't of Treasury Office of Tax Analysis, *Distributing the Corporate Income Tax: Revised U.S. Treasury Methodology* (Technical Paper No. 5, 2012) ("Cronin Study"), https://www.wsj.com/public/resources/documents/May2012corptaxpaper.pdf.

[12] Julie-Anne Cronin et al., *Distributing the Corporate Income Tax: Revised U.S. Treasury Methodology*, 66 (1) Nat'l Tax J. 239 (2013), https://www.ntanet.org/NTJ/66/1/ntj-v66n01p239-62-distributing-corporate-income-tax.pdf.

[13] U.S. Dep't of Treasury, *Treasury's Distribution Methodology and Results* 1 (2015) ("Because labor income bears a small fraction (19 percent) of the burden of the corporate income tax ... the top 10 percent of families [who receive 78 percent of total positive capital income and whose income is 32 percent positive capital income] bears 72.5 percent of the burden of the corporate income tax."), https://www.treasury.gov/resource-center/tax-policy/tax-analysis/Documents/Summary-of-Treasurys-Distribution-Analysis.pdf.

relied on this data and analysis in a January 2017 report, "The Case for Responsible Business Tax Reform: A Report by the U.S Department of the Treasury's Office of Tax Policy."[14]

The 70 Percent Figure not only conflicts with prior statements by Treasury; it is also at odds with analysis by other federal entities. As noted above, Treasury's 2012 initial analysis was published in a peer-reviewed academic journal. Treasury's original analysis is also aligned with research by the Congressional Budget Office[15] and the Joint Committee on Taxation,[16] both bi-partisan government entities charged with developing metrics to score changes in the tax code.

The Department, moreover, sought to conceal the initial 2012 Study. The Department removed the 2012 Study from its website, which contains OTA working papers dating back to 1974.[17] When asked about the erasure, the Department justified its actions by calling the report a "dated staff analysis"[18] that was—in Secretary Mnuchin's own words—"completely inconsistent"[19] with Treasury's newly-adopted position on the corporate tax burden. As of this

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[14] U.S. Dep't of Treasury Office of Tax Policy, *The Case for Responsible Business Tax Reform* (2017) (citing Cronin Study), https://www.treasury.gov/resource-center/tax-policy/Documents/Report-Responsible-Business-Tax-Reform-2017.pdf.

[15] *See* Cong. Budget Office, *The Distribution of Household Income and Federal Taxes, 2008 and 2009* (2012), https://www.cbo.gov/publication/43373 ("CBO has reevaluated the research on that topic, and in this report it allocates 75 percent of the federal corporate income tax to capital income and 25 percent to labor income."); *see also* Jennifer C. Gravelle, *Corporate Tax Incidence: A Review of Empirical Estimates and Analysis*, Cong. Budget Office (2011), https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/122xx/doc12239/06-14-2011-corporatetaxincidence.pdf.

[16] *See* Joint Comm. on Taxation, *Modeling the Distribution of Taxes on Business Income* (2013) ("[T]he Joint Committee staff follows the middle range of the current economic literature by assuming that 25 percent of corporate income taxes are borne by domestic labor and 75 percent are borne by owners of domestic capital."), https://www.jct.gov/publications.html?func=startdown&id=4528.

[17] *See* Richard Rubin, *Treasury Removes Paper at Odds with Mnuchin's Take on Corporate-Tax Cut's Winners*, Wall Street J. (Sept. 28, 2017 6:41 PM), https://www.wsj.com/articles/treasury-removes-paper-at-odds-with-mnuchins-take-on-corporate-tax-cuts-winners-1506638463.

[18] Catherine Rampell, *The Report Trump Officials Don't Want You To See*, Wash. Post (Oct. 2, 2017), https://www.washingtonpost.com/opinions/the-report-trump-officials-dont-want-you-to-see/2017/10/02/f6c77a6c-a7ab-11e7-850e-2bdd1236be5d_story.html?utm_term=.bddd40535552.

[19] Alan Rappeport, *Mnuchin Talks Taxes and That Vanishing Treasury Study*, N.Y. Times (Oct. 31, 2017) ("To the extent that there was something that was completely inconsistent with what we're publishing

writing, the 2015 and 2017 reports containing this "inconsistent" data remain on Treasury's website. Despite being pressed by multiple media outlets, the Department continues to promote the 70 Percent Figure.[20]

II. Both The $4,000–9,000 and 70 Percent Figures Violate the IQA and its Implementing Guidelines.

The IQA directs the Office of Management and Budget ("OMB") to issue guidelines that "provide policy and procedural guidance to Federal agencies for ensuring and maximizing the quality, objectivity, utility, and integrity of information (including statistical information) disseminated by Federal agencies."[21] Federal agencies, in turn, must issue their own guidelines, likewise "ensuring and maximizing the quality, objectivity, utility, and integrity of information (including statistical information) disseminated by the agency" and establishing "administrative mechanisms allowing affected persons to seek and obtain correction of information maintained and disseminated by the agency that does not comply with the guidelines."[22] Pursuant to these directives, OMB as well as Treasury, and certain Bureaus within Treasury, promulgated guidelines establishing information quality standards and providing a means for parties to seek redress for information that does not conform to these standards (together "Treasury's guidelines").[23] Thus, under the OMB and pertinent agency guidelines, the touchstone for the IQA is that (1) information (2) disseminated by an agency (3) be of requisite quality.

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now, we thought it made sense to take down."), https://www.nytimes.com/2017/10/31/us/politics/mnuchin-taxes-treasury.html.

[20] Secretary Mnuchin believes that "most economists" support the 70 Percent Figure. *See, e.g.*, Interview by Chris Wallace with Stephen Mnuchin, Secretary of the Treasury, Washington, DC (Sept. 3, 2017), http://www.foxnews.com/transcript/2017/09/03/sec-mnuchin-talks-cutting-off-north-korea-economically.html. But the non-partisan Center on Budget and Policy Priorities reviewed the positions of respected tax policy institutions and found that only one, "an outlier from the mainstream consensus," supports the figure. Chye-Ching Huang & Brandon Debot, *Corporate Tax Cuts Skew to Shareholders and CEOs, Not Workers as Administration Claims*, Ctr. On Budget & Pol'y Priorities (Aug. 16, 2017), https://www.cbpp.org/research/federal-tax/corporate-tax-cuts-skew-to-shareholders-and-ceos-not-workers-as-administration#_ftnref13.

[21] Consolidated Appropriations Act, *supra* note 1, § 515(a).

[22] *Id* § 515(b); *see also Prime Time Int'l Co. v. Vilsack*, 599 F.3d 678, 684–86 (D.C. Cir. 2010) (describing statutory and administrative scheme for IQA).

[23] *See* U.S. Dep't of Treasury, *Information Quality Guidelines*, *supra* note 1 ("Using the administrative mechanism, affected persons can seek, and obtain where appropriate, timely correction of information

Both the $4,000–9,000 and 70 Percent Figures are covered information. Treasury's guidelines define "information" as "any communication or representation of knowledge such as facts or data, in any medium or form, including textual, numerical, graphic, cartographic, narrative, or audiovisual forms," including information the "agency disseminates from a web page," but excluding information where "the agency's presentation makes it clear that what is being offered is someone's opinion rather than fact or the agency's views."[24] The Assistant Secretary for Public Affairs cited the $4,000–9,000 Figure while giving a television interview, a covered "audiovisual form[]."[25] Secretary Mnuchin, in his capacity as "the 77th Secretary of the Treasury," asserted the 70 Percent Figure in a *Philadelphia Inquirer* article describing the Administration's tax reform proposals.[26]

Treasury disseminated both figures. Treasury's guidelines define "dissemination" to include "agency initiated or sponsored distribution of information to the public," including "where the agency directs a third party to distribute information or the agency has the authority to review and approve the information before release."[27] Treasury developed the $4,000–9,000

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that does not comply with OMB, Treasury or Bureau guidelines."); U.S. Dep't of Treasury, *Procedures for Implementation*, *supra* note 1. DF notes that it brings this Request for Correction under the OMB, Treasury and Departmental Offices Guidelines. If another set of Bureau-specific Guidelines governs statements from the Office of the Secretary or Office of Public Affairs, DF respectfully requests that this letter also be construed as a Request for Correction under those Guidelines.

[24] U.S. Dep't of Treasury, *Information Quality Guidelines: Appendix A – Definitions* (2010), https://www.treasury.gov/about/organizational-structure/offices/Mgt/Pages/infoapp_A.aspx ("Treasury Guideline Definitions"); *see also* OMB Guidelines at 8460.

[25] *See* @AmericaNewsroom, *supra* note 3; U.S. Dep't of Treasury, *Information Quality Guidelines*, *supra* note 1 ("The guidelines apply to information disseminated to the public in any medium including [...] audiovisual forms.").

[26] *See* Mnuchin, *supra* note 8.

[27] Treasury Guideline Definitions; U.S. Dep't of Treasury, *Information Quality Guidelines: Scope* (2010) ("The guidelines also apply to Bureau or Departmental Offices sponsored distribution of information - where the agency directs a third party to distribute information or the agency has the authority to review and approve the information before release."), https://www.treasury.gov/about/organizational-structure/offices/Mgt/Pages/infoscope.aspx; U.S. Dep't of Treasury, *Procedures for Implementation*, *supra* note 1 ("The guidelines also apply to Bureau or Departmental Offices sponsored distribution of information - where the agency directs a third party to distribute information or the agency has the authority to review and approve the information before release."); *see also* OMB Guidelines at 8454 ("'agency * * * SPONSORED distribution of information to the public' refers to situations where an

Figure as part of its presentation for interviews. Similarly, Treasury employees prepared the 70 Percent Figure as part of Secretary Mnuchin's article and distributed it to the public in a wide-circulation newspaper. High-level department staff "ha[d] the authority to review and approve the [$4,000–9,000 and 70 Percent Figures] before release" to the *Philadelphia Inquirer* for publication and the television reporter for broadcast.[28]

Neither figure satisfies the IQA's quality requirement. Treasury guidelines require that the Department adhere to the IQA's standards for "quality," which encompasses the concepts of "utility, objectivity, and integrity."[29] The first two standards—utility and objectivity—are relevant to this Request to Correct. The utility standard ensures the "usefulness of the information to its intended users, including the public."[30] The objectivity standard requires that information be "accurate, reliable, and unbiased";[31] "presented in an accurate, clear, complete, and unbiased manner";[32] and "have full, accurate, [and] transparent documentation."[33] Additionally, the guidelines require that "'influential scientific, financial, or statistical information"—that is, data that has a "clear and substantial impact on important public policies or important private sector decisions"—meet an even stricter standard of quality.[34] Data that is influential must exhibit a "high degree of transparency" and "the accuracy of this information is significant due to the critical nature of the[] decisions" that can be impacted by it.[35]

The $4,000–9,000 and 70 Percent Figures are influential financial and statistical data. Information regarding the effect of the corporate income tax on various income brackets is crucial to the public policy debate unfolding on reforms to the tax code. Further, voters rely on

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agency has directed a third-party to disseminate information, or where the agency has the authority to review and approve the information before release.").

[28] *Id.*

[29] Treasury Guideline Definitions; *see also* OMB Guidelines at 8459 ("usefulness of the information to the intended users").

[30] Treasury Guideline Definitions; OMB Guidelines at 8453.

[31] Treasury Guideline Definitions; OMB Guidelines at 8459.

[32] Treasury Guideline Definitions; OMB Guidelines at 8453.

[33] Treasury Guideline Definitions; OMB Guidelines at 8459.

[34] OMB Guidelines at 8460; Treasury Guideline Definitions.

[35] U.S. Dep't of Treasury, *Information Quality Guidelines* (2010), https://www.treasury.gov/about/organizational-structure/offices/Mgt/Pages/infoguide.aspx; *see also* OMB Guidelines at 8455 ("[I]nfluential information [...] can be expected to have major effects on public policy.").

information such as the Department's $4,000–9,000 and 70 Percent Figures to understand otherwise highly technical tax proposals and to give feedback to their elected representatives regarding tax reform.

The Department fails to meet the higher standard for influential information. Indeed, by Secretary Mnuchin's own account, the 70 Percent Figure is "completely inconsistent" with multiple previous statements by Treasury as well as the analysis of multiple tax experts, clearly calling into question both its reliability and its credibility.[36]

Likewise, Treasury has failed to ensure a high degree of transparency or reliability for both the $4,000–9,000 and 70 Percent Figures. The inputs for the $4,000–9,000 Figure are a mystery. This precise figure is based only on an admitted "template" with "additional reforms" and details to come.[37] Further, the Department continues to promote inconsistent information about the incidence of the corporate rate: the longstanding analysis by career economists still found on the Department's website and Secretary Mnuchin's recent 70 Percent Figure. Additionally, the Department has gone so far as to remove the contradictory 2012 Study from its website and has not sufficiently explained any of the changed assumptions and analysis underlying the 70 Percent Figure. This lack of transparency both suppresses objective data prepared by career economists and injects confusion into the tax reform debate. In both cases, when the Department fails to provide transparent analysis, taxpayers are unable to fully understand the Department's position.

Even if they are not deemed influential, the $4,000–9,000 and 70 Percent Figures still fail to meet the baseline standard for objectivity and utility under the guidelines. Because of the flaws described above, neither figure is useful to the public in evaluating tax reform and thus violates the "utility" standard. The figures are likewise devoid of the requisite "objectivity," given their respective conflicts with common sense and existing Treasury statements, as well as the lack of transparency regarding their provenance.

In sum, the $4,000–9,000 and 70 Percent Figures are agency-disseminated information that fail the quality standards set forth in the IQA and its implementing guidelines.

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[36] Rappeport, *supra* note 19.
[37] U.S. Dep't of Treasury, *Unified Framework*, *supra* note 2, at 3.

DEMOCRACY FORWARD FOUNDATION

III. Democracy Forward Foundation is an affected person.

Democracy Forward Foundation is an affected person entitled to seek correction of disseminated information that fails to meet the IQA's quality standards. The guidelines define "affected person" as one whom "may benefit or be harmed by the disseminated information," including one who "use[s] information."[38] DF "uses" the information at issue within the meaning of the guidelines. DF is a non-partisan, non-profit organization that scrutinizes Executive Branch activity across policy areas, challenges unlawful actions through litigation, and educates the public about improper government activity. Thus, DF is committed to ensuring that the government disseminates accurate and reliable information pertaining to policy issues, and, in this regard, has focused its efforts on ensuring that the government is transparent in the current public policy debate over tax reform.[39] The organization therefore has a significant interest in seeing that the government relies on accurate and reliable data in its communications with the public concerning tax reform and "uses" information such as the statistics at issue in furtherance of this interest. A retraction and correction of the misleading $4,000–9,000 and 70 Percent Figures would "benefit" DF by advancing its mission to provide greater transparency in the tax reform debate and to educate and assist the public in its evaluation of tax reform proposals.

IV. Conclusion and Relief Requested.

Given the importance and immediacy of an improved public dialogue about tax reform, and the misinformation being disseminated by Treasury as part of that debate, Democracy Forward requests that the Department retract and correct the $4,000–9,000 and 70 Percent Figures within 60 days.

Sincerely,

Anne Harkavy
Executive Director, Democracy Forward Foundation

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[38] Treasury Guideline Definitions.

[39] Democracy Forward Found., *Demanding the Administration Reveal Who Participated in Secret Meetings to Craft Tax Proposal* (Oct. 31, 2017), https://democracyforward.org/work/democracy-forward-foundation-v-treasury/.

Information Quality Guidelines

Process

14.5.1 Information Review Process

As a matter of good and effective information resources management, Bureaus and the Departmental Offices should develop processes for reviewing the quality (including the objectivity, utility, and integrity) of information before it is disseminated.

- Treat information quality as integral to every step of the development of information, including creation, collection, maintenance, and dissemination.
- Substantiate the quality of the information disseminated through documentation or other means appropriate to the information.

14.5.2 Information Collection Process

It is important that Treasury bureaus make use of OMB's Paperwork Reduction Act (PRA) clearance process to help improve the quality of information that the Department collects and disseminates to the public. Treasury bureaus are already required to demonstrate in their PRA submissions to OMB the "practical utility" of a proposed collection of information the bureau plans to disseminate. Additionally, for all proposed collections of information that will be disseminated to the public, Treasury bureaus should demonstrate in their PRA clearance submission to OMB that the proposed collection of information will result in information that will be collected, maintained, and used in a way consistent with the OMB and Treasury information quality guidelines.

14.5.3 Administrative Complaint Mechanism

Section 515 requires each agency to develop an administrative mechanism for receiving complaints and appeals regarding information quality. Using the administrative mechanism, affected persons can seek, and obtain where appropriate, timely correction
Page 9

of information that does not comply with OMB, Treasury or Bureau guidelines. These administrative mechanisms shall be flexible, appropriate to the nature and timeliness of the disseminated information, and incorporated into agency information resources management and administrative practices. Conduct both elements (complaint and appeal) of the administrative mechanism within the Bureau (or the Departmental Office), which disseminated the information.

Overall, OMB and Treasury do not envision administrative mechanisms that would burden agencies with frivolous claims. Instead, the correction process should serve to address the genuine and valid needs of Treasury and its constituents without disrupting agency processes. In making determinations of whether or not to correct information, bureaus may reject claims made in bad faith or without justification. They are required

to undertake only the degree of correction that they conclude is appropriate for the nature and timeliness of the information involved and explain such practices in their annual fiscal year reports to Treasury.

A. Complaint Process

Treasury Bureaus and the Departmental Offices should respond to complaints and/or requests for correction in writing within 60 calendar days of receipt. If the complaint requires an extended period of time for processing, the agency must notify the petitioner. The agency must develop or identify the initial administrative complaint process for affected persons to seek and obtain correction of information that does not comply with OMB or Treasury Guidelines. The process should specify the name and address of the organization responsible for evaluating and responding to requests for correction of information disseminated. The process should meet designated timeframes for requests, evaluations, and agency response and should identify what is required from a petitioner, such as:

- Description of the information deemed to need correction.
- Manner disseminated and date of dissemination.
- Specific error(s) cited for correction and proposed correction or remedy.
- Specific manner in which the information does not comply with OMB or Treasury Guidelines.
- How the person was affected and how correction would benefit them.
- Petitioner's contact information for the agency reply on whether and how correction will be made.

B. Administrative Appeal Process

Treasury Bureaus and the Departmental Offices should develop an administrative appeal process in the event a petitioner is not satisfied with the reply. This right to an appeal should be included in the notice of denial issued during the complaint process.

After the petitioner receives a response or decision from the agency on a complaint, the incumbent must send their appeal of the ruling within 45 workdays in accordance with the instructions in the initial agency reply. The agency must respond to appeals and/or requests for correction in writing within 60 calendar days of receipt. If the response requires an extended period for processing, the agency must notify the petitioner. The bureau (or the Departmental Office) appeal process must include a final judgment by an official independent from the initial response.

C. Information on which the Agency Requested Public Comments

In some cases, a bureau may disseminate a study, analysis, or other information in connection with the issuance of a notice of proposed rulemaking or other action that involves well-established procedures for obtaining, considering, and responding to comments from the public. In most cases, comments concerning the quality of the

disseminated information can be addressed through these procedures, such as by responding to a request for correction of the information in the preamble to a final rule. However, in unusual circumstances, it would be appropriate for a bureau to address such comments at an earlier time pursuant to these guidelines. For example, the procedures of these guidelines should be used if the commenter has shown a reasonable likelihood of suffering actual harm if the comment is not resolved before issuance of the final action and the bureau determines that resolving the matter pursuant to these guidelines will not unduly delay the final action.

Last Updated: 3/12/2011

percent in 2017 (on a fourth quarter-over-fourth quarter basis), before settling down to 2.3 percent in the long run. The GDP price index is forecast to rise to 2.0 percent in 2017 (on a fourth-quarter-over-fourth-quarter basis) and maintain that rate throughout the forecast window.

Changes in Economic Assumptions from Last Year's Budget—Table 2-2 compares the Administration's forecast for the 2018 Budget with that from the 2017 Budget, submitted by the previous Administration. The most notable difference is the upward revision to medium- and longer-term GDP growth. Compared with the previous forecast, the Administration expects much faster output growth, as a result of its policies designed to boost productivity and labor force participation. These include deregulation, tax reform, an improved fiscal outlook, inducements for infrastructure investment, and health care reform, which should boost investment and bolster the incentives to save. The Administration's expectations for inflation differ little from the previous forecast, except for the slight boost in CPI inflation in 2017 and 2018 due to higher demand. The forecast for the unemployment rate is also broadly similar, although the Administration's projections have the unemployment rate dropping to a trough of 4.4 percent, lower than was previously expected, and it has a slightly lower estimate of the unemployment rate at which inflation pressures are broadly balanced. On 91-day Treasury bills, the Budget's terminal rate is

Table 2–3. COMPARISON OF ECONOMIC ASSUMPTIONS

(Calendar Years)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Nominal GDP:												
2018 Budget	18566	19367	20237	21197	22253	23379	24563	25806	27111	28483	29924	31439
CBO	18563	19352	20114	20838	21565	22381	23261	24182	25143	26142	27181	28258
Blue Chip	18570	19336	20221	21099	21973	22883	23831	24843	25872	26943	28059	29222
Real GDP (Year-over-Year):												
2018 Budget	1.6	2.3	2.4	2.7	2.9	3.0	3.0	3.0	3.0	3.0	3.0	3.0
CBO	1.6	2.3	2.0	1.7	1.5	1.8	1.9	1.9	1.9	1.9	1.9	1.9
Blue Chip	1.6	2.1	2.4	2.1	2.0	2.0	2.0	2.1	2.0	2.0	2.0	2.0
Real GDP (Fourth Quarter-over-Fourth Quarter):												
2018 Budget	1.9	2.3	2.5	2.8	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
CBO	1.8	2.3	1.9	1.6	1.6	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Blue Chip	1.9	2.1	2.4	2.1	2.0	2.0	2.0	2.1	2.0	2.0	2.0	2.0
Federal Reserve Median Projection	1.9	2.1	2.1	1.9				1.8 longer run				
GDP Price Index [1]:												
2018 Budget	1.3	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
CBO	1.3	1.9	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.1	2.0
Blue Chip	1.3	2.0	2.1	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Consumer Price Index (CPI-U) [1]:												
2018 Budget	1.3	2.6	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
CBO	1.3	2.4	2.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Blue Chip	1.3	2.4	2.2	2.3	2.4	2.3	2.3	2.3	2.4	2.4	2.4	2.4
Unemployment Rate [2]:												
2018 Budget	4.9	4.6	4.4	4.6	4.7	4.8	4.8	4.8	4.8	4.8	4.8	4.8
CBO	4.9	4.6	4.4	4.5	4.9	5.0	5.0	5.0	4.9	4.9	4.9	4.9
Blue Chip	4.9	4.5	4.3	4.5	4.6	4.6	4.7	4.7	4.7	4.7	4.7	4.7
Federal Reserve Median Projection [3]	4.9	4.5	4.5	4.5				4.7 longer run				
Interest Rates [2]:												
91-Day Treasury Bills (discount basis):												
2018 Budget	0.3	0.8	1.5	2.1	2.6	2.9	3.0	3.0	3.1	3.1	3.1	3.1
CBO	0.3	0.7	1.1	1.7	2.3	2.7	2.8	2.8	2.8	2.8	2.8	2.8
Blue Chip	0.3	1.0	1.8	2.4	2.7	2.8	2.8	2.8	2.9	2.9	2.9	2.9
10-Year Treasury Notes												
2018 Budget	1.8	2.7	3.3	3.4	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
CBO	1.8	2.3	2.5	2.8	3.1	3.4	3.5	3.6	3.6	3.6	3.6	3.6
Blue Chip	1.8	2.6	3.1	3.6	3.7	3.8	3.8	3.8	3.9	3.9	3.9	3.9

Sources: Administration; CBO, The Budget and Economic Outlook: 2017 to 2027, January 2017; March 2017 and May 2017 Blue Chip Economic Indicators, Aspen Publishers, Inc.; Federal Reserve Open Market Committee, March 15, 2017

[1] Year-over-Year Percent Change

[2] Annual Averages, Percent

[3] Median of Fourth Quarter Values