



GENERAL LEGAL ACTIVITIES Tax Division

FY 2021 Budget Request At A Glance	
FY 2020 Enacted:	\$112.8 million (499 positions; 377 attorneys)
Current Services Adjustments:	-\$1.8 million
Program Changes:	+\$2.5 million
FY 2021 Budget Request:	\$113.5 million (499 positions; 377 attorneys)
Change From FY 2020 Enacted:	+\$671,000 (+0.6%)

Mission:

The mission of the Tax Division (TAX) is to enforce the Nation’s tax laws fully, fairly, and consistently, through both criminal and civil litigation, to promote voluntary compliance with the tax laws, maintain public confidence in the integrity of the tax system, and to promote the sound development of the tax laws.

Organization:

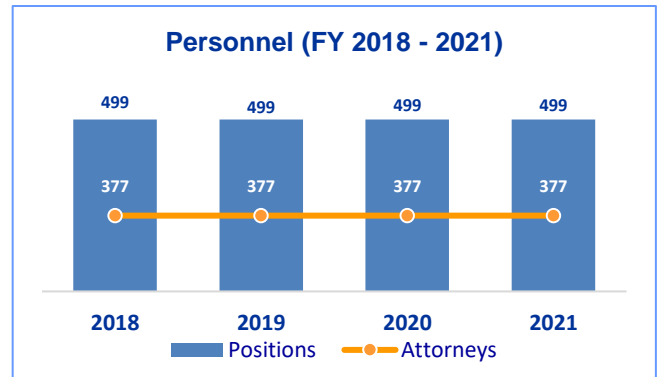
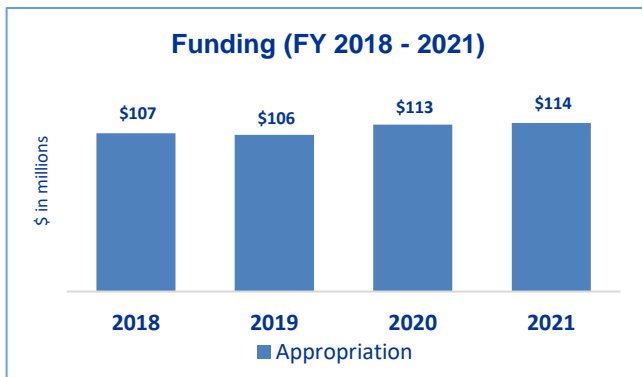
TAX is headed by an Assistant Attorney General, who is appointed by the President and confirmed by the Senate. Four Deputy Assistant Attorneys General help manage the Division. All of the Division’s offices are located in Washington, D.C., except the Southwestern Civil Trial Section, which is located in Dallas, Texas.

Resources:

The FY 2021 budget request for TAX totals \$113.5 million, which is a 0.6 percent increase over the FY 2020 Enacted.

Personnel:

The TAX’s direct authorized positions for FY 2021 total 499 positions and are the same as FY 2020 Enacted.



FY 2021 Strategy:

TAX will continue to play a significant role in the Government's efforts to enforce the tax laws fully and fairly, in both the civil and criminal arena, and to combat abuse of the Nation's internal revenue laws. TAX's litigation furthers the longstanding bi-partisan goal of reducing the Tax Gap. TAX also represents a significant return on investment, as the sums collected and refunds saved by the Division consistently exceed its annual appropriation. In addition, TAX's strategy of publicizing its litigation accomplishments has a deterrent effect on would-be tax offenders, while also strengthening the Nation's voluntary compliance system by assuring law-abiding taxpayers that those who attempt to shirk their lawful responsibilities will be held accountable.

The Division's criminal enforcement strategy is to ensure strong, consistent and uniform prosecution of the criminal tax laws to punish offenders, deter future violations, and reassure honest taxpayers that they will not bear an undue share of the federal tax burden. For FY 2021, TAX will continue its efforts in several high-priority criminal enforcement areas, including:

Offshore Tax Evasion: This remains one of TAX's top litigation priorities. Non-compliance with U.S. tax laws through the use of secret offshore bank accounts, technically sophisticated financial instruments, and web-based money transfers around the world remains a major source of noncompliance.

Tax Defiers: Those who reject the legal foundation of the tax system (despite decades of legal precedent upholding the system's constitutional and statutory validity) and who take specific and concrete action to violate the law. TAX uses its resources judiciously by targeting prominent tax defiers – ringleaders or influential followers – for civil enforcement and criminal prosecution.

Financial Fraud: Cases in which tax charges have long been used to prosecute complex fraud. Prosecution of mortgage fraud, securities fraud, and other financial fraud is often strengthened by the addition of tax charges.

TAX's primary civil strategy is to defend against federal tax cases filed by taxpayers and to file tax enforcement and collection cases in the federal courts. By targeting acute tax enforcement problems that threaten the nationwide administration of the tax system, the Division ensures that the tax laws are properly enforced. TAX also defends the Federal Treasury against tax refund claims arising from complex and abusive corporate and individual tax shelters that are estimated to cost the Treasury billions of dollars annually. TAX also brings suits to stop tax scam promoters and unscrupulous preparers, to collect unpaid taxes, and to allow the Internal Revenue Service to obtain information needed for tax enforcement.

FY 2021 Program Changes:

Automated Litigation Support (ALS): \$2.5 million and 0 positions

TAX is requesting \$2.5 million to meet ongoing and increased demands for automated litigation support and data analysis in TAX cases.

TAX is responding to new challenges, such as collecting the exploding electronic media from online video and web materials produced as valuable evidence in our cases. We must have a capacity to process huge volumes of structured and unstructured financial data to find patterns and associations, to screen for privileged information, and to follow the money through complex accounting transactions. For example, in offshore tax matters, advanced analytics tools and knowledgeable staff are vital to tracing illegal transactions (inflows and outflows) between accounts in dozens of banks around the world. Cryptocurrency is another area that requires sophisticated analytics to break down complex transactions. As IRS Criminal Chief Don Fort recently noted, "It's possible to use Bitcoin and other cryptocurrencies in the same fashion as foreign bank accounts to facilitate tax evasion."

High quality technical support and advice is essential to meet the demands of modern tax litigation discovery and to assist with the investigation of sophisticated tax cases. In addition to traditional paper discovery, TAX received more than 10 terabytes of data, or approximately 500 million pages, last year, and we are on track to surpass that in the current year. Human being cannot adequately review this volume of data without automation. This information, must be processed, loaded to a search platform, searched and hosted. This requires sophisticated software and a highly skilled staff.

In addition to making sense of these vast and difficult data sets, this requested funding will provide support to the legal teams in complex cases. This includes participation in Rule 26(f) and other pretrial conferences, advising on E-Discovery best practices, case and fact management, assembling exhibits, and presenting them in court electronically.

Unlike all of the other litigating divisions, the Tax Division does not have any dedicated GLA funding for ALS. To pay for this crucial support in FY 2018 and FY 2019, TAX used No-Year ALS funds that were reprogrammed from limited, expired GLA funds. These funding streams are ephemeral and insufficient to meet the growing needs of TAX for sophisticated data analytics, tech-assisted review, and efficient management of digital discovery materials and electronic evidence. There are no current services for this initiative.

Tax Division
(Dollars in Thousands)

	Tax Division		
	Pos	FTE	Amount
2019 Appropriation	499	404	105,925
2020 Enacted	499	451	112,831
2021 Request	499	451	113,502
Change 2021 from 2020 Enacted	0	0	671
Technical Adjustments			
Total Technical Adjustments	0	0	0
Base Adjustments			
Pay & Benefits	0	0	2,280
Domestic Rent & Facilities	0	0	-6,224
Other Adjustments	0	0	2,115
Total Base Adjustments	0	0	-1,829
2021 Current Services	499	451	111,002
Program Changes			
Increases:			
Automated Litigation Support (ALS)	0	0	2,500
Subtotal, Program Increases	0	0	2,500
Decreases:			
Subtotal, Program Decreases	0	0	0
Total Program Changes	0	0	2,500
2021 Request	499	451	113,502

Tax Division
(Dollars in Thousands)

Comparison by activity and program	2020 Enacted			2021 Current Services		
	Pos.	FTE	Amount	Pos.	FTE	Amount
General Tax Matters	499	451	112,831	499	451	111,002
Total	499	451	112,831	499	451	111,002

Comparison by activity and program	2021 Total Program Changes			2021 Request		
	Pos.	FTE	Amount	Pos.	FTE	Amount
General Tax Matters	0	0	2,500	499	451	113,502
Total	0	0	2,500	499	451	113,502