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United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510-6275

April 2, 2025

VIA ELECTRONIC TRANSMISSION

Ms. Melanie Krause
Acting Commissioner
Internal Revenue Service

Dear Acting Commissioner Krause:

As millions of Americans faithfully pay their taxes, they must be assured that the Internal Revenue Service (IRS) holds federal employees who fail to pay their taxes accountable. In 1993, the IRS established the Federal Employee/Retiree Delinquency Initiative (FERDI) to promote tax compliance among current and retired federal employees by collecting and publishing a report about tax delinquent federal employees.¹ On April 16, 2024, I wrote to the Biden administration's then-IRS Commissioner Werfel requesting the FERDI report and information about how the IRS plans to hold federal employees accountable for failing to pay their taxes, as the Treasury Inspector General for Tax Administration (TIGTA) found the IRS could improve in this area.² On June 21, 2024, the IRS responded that they took steps to implement some of TIGTA's recommendations, which included ensuring "FERDI balance due and delinquent return cases are a top priority in collection programs" and "executing a programming fix to ensure FERDI taxpayer delinquency investigations are not removed from active inventory."³ The response also included the FERDI reports I requested. I write to you about the data published in these reports and to ensure the IRS solidifies its efforts to hold federal employees accountable for failing to pay their fair share of taxes.

According to the FERDI reports, the number of tax delinquent civilian federal employees/retirees and the back taxes they owe have consistently increased from 2019 to 2023.⁴ For example, in 2019, 218,494 federal employees/retirees were tax delinquent and owed close to \$2.4 billion in taxes.⁵ Yet in 2023, 297,341 civilian federal employees/retirees were tax delinquent and owed nearly \$3.4 billion in taxes.⁶ Meaning, in just four years the amount of unpaid taxes owed by the current and former civilian federal workforce skyrocketed by over 40%.⁷

Further the FERDI report for Fiscal Year (FY) 2023 shows that active federal civilian employees owed close to **\$2 billion in unpaid taxes**, an almost **20% increase from the prior year**.⁸ In particular, for FY 2023 employees of the U.S. Postal Service and Department of Veterans Affairs owed, by far, the most in unpaid

¹ Treasury Inspector General for Tax Administration, *The IRS Has Not Adequately Prioritized Federal Civilian Employee Nonfilers*, UNITED STATES TREASURY, (Mar. 6, 2023), <https://www.tigta.gov/sites/default/files/reports/2023-03/202330011fr.pdf>.

² Letter from Sen. Charles E. Grassley, Ranking Member, Sen. Comm. on the Budget, to the Honorable Daniel Werfel, Commissioner, Internal Revenue Service, (Apr. 16, 2024), https://www.grassley.senate.gov/imo/media/doc/grassley_to_irs_-_tax_delinquent_federal_employees.pdf.

³ Letter from Daniel Werfel, Commissioner, Internal Revenue Service, to Sen. Charles E. Grassley, Ranking Member, Sen. Comm. on the Budget, (June 21, 2024), (on file with Committee staff).

⁴ *Id.*

⁵ *Id.*

⁶ *Id.* at 18.

⁷ *Id.*

⁸ *Id.* at 16.

taxes.⁹ 8.66% of U.S. Postal Service employees were tax delinquent and owed nearly *half a billion dollars* in unpaid federal taxes.¹⁰ The Department of Veterans Affairs came in second, with 6.45% of its workforce being tax delinquent, owing \$336 million in unpaid taxes.¹¹ Other federal agency highlights from the 2023 FERDI report include:

Table 1. List of Selected Departments, Federal Agencies, and Institutions (FY 2023)¹²

Federal Agency	Unpaid Taxes Owed	% of Agency Workforce Tax Delinquent
Court Services and Offender Supervision Agency for Washington, D.C.	\$1,928,734	11.58%
Smithsonian Institution	\$3,284,292	9.57%
Government Publishing Office	\$1,900,659	8.81%
Federal Communications Commission	\$3,774,094	8.18%
Small Business Administration	\$9,725,112	7.44%
Department of Education	\$4,074,858	6.44%
Department of Defense	\$100,116,193	6.26%
Social Security Administration	\$41,804,239	5.92%
Department of Health and Human Services	\$73,587,455	5.82%
Department of Homeland Security	\$115,885,237	5.14%

The 2023 FERDI report also provides additional context to TIGTA's report about tax delinquent IRS employees.¹³ TIGTA's report said as of May 2023, 4% of IRS employees hadn't fully paid their tax balance, and IRS employees owed more than \$12 million in unpaid taxes.¹⁴ The 2023 FERDI report shows that 1.77% of Treasury employees were tax delinquent and owed \$14 million in unpaid taxes.¹⁵ These reports indicate IRS employees are responsible for most of the unpaid taxes. The Internal Revenue Code "holds IRS employees to a higher expectation and responsibility for full tax compliance because the agency is primarily responsible for administering the Federal tax law."¹⁶ If the FERDI and TIGTA data are accurate, then it's concerning that the IRS is leading the Treasury Department in tax delinquent employees and unpaid taxes when it's supposed to embody and set the standard for compliance.

All federal employees have a heightened responsibility to follow the laws and rules and pay their taxes.¹⁷ Taxpayers deserve to be assured that federal employees, whose salaries and benefits are funded through taxpayer dollars, are held to account by the IRS for failing to pay their tax obligations, just like the rest of Americans are held to account. Accordingly, so that Congress may conduct oversight concerning the IRS's

⁹ *Id.* at 17-18.

¹⁰ *Id.* at 18. (According to the report, in 2023, U.S. Postal Service employees owed \$498,284,241 in back taxes).

¹¹ *Id.* at 17.

¹² *Id.* at 17-18.

¹³ Treasury Inspector General for Tax Administration, *Ninety-Five Percent of IRS and Contractor Employees Were Tax Compliant; However, There Were Some Tax Delinquencies or Prior Conduct/Performance Issues*, UNITED STATES TREASURY, (Jul. 24, 2024), <https://www.tigta.gov/sites/default/files/reports/2024-07/2024100033fr.pdf>.

¹⁴ *Id.* at 7.

¹⁵ *Id.*; see also Treasury Inspector General for Tax Administration, *supra* note 13, at 7 (indicating IRS employees hold over four-fifths of all delinquent taxes owed by Treasury employees).

¹⁶ Treasury Inspector General for Tax Administration, *supra* note 1, at 1; see Pub. L. No. 105-206, 112 Stat. 685, 720-722; 26 USC § 7804(c).

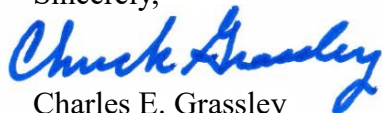
¹⁷ *Id.*

efforts to hold federal employees, including its own, accountable for failing to pay their federal taxes, please provide answers to the following no later than April 16, 2025.

1. According to TIGTA's March 6, 2023, report titled, *The IRS Has Not Adequately Prioritized Federal Civilian Employee Nonfilers*, the IRS only releases FERDI reports upon request, even though IRS ought to make them public on its website.¹⁸ Accordingly, provide the FY 2024 FERDI Annual Report and consider this letter as a standing request to provide my office with subsequent FERDI Annual Reports as they become available.
2. Has the IRS continued its implementation of TIGTA's recommendations from its March 6, 2023 report? If not, why not? If yes, explain in detail the steps the IRS has taken to implement the recommendations.
3. Explain, in detail, the IRS's efforts to prioritize the collection of unpaid taxes from tax delinquent federal employees.
4. The IRS's June 2024 response says that "FERDI nonfilers who qualify for the Automated Substitute for Return Program (ASFR) will be a priority in the program. If the result of an ASFR is a tax assessment that goes unpaid, the taxpayer may then be included in the IRS's Federal Payment Levy Program, which allows the IRS to levy 15% of federal employee salaries."¹⁹ For the ASFR Program, from 2020 to present:²⁰
 - a. How many nonfiler federal employees and retirees qualified for the Program?
 - b. Of those that qualified:
 - i. How much in unpaid taxes was owed?
 - ii. How many were referred to the IRS's Federal Payment Levy Program and how much in unpaid taxes was recovered?
5. For the Federal Payment Levy Program, from 2020 to present:²¹
 - a. How many federal employees and retirees had levy requests transmitted to the Bureau of Fiscal Service?
 - b. How many federal employees and retirees had their salaries or other federal payments levied to pay for unpaid taxes? If none, why?
 - c. How much in unpaid taxes has the IRS recovered through this Program?

Thank you for your prompt review and responses. If you have any questions, please contact Brian Randolph of Chairman Grassley's Committee staff at (202) 224-5225.

Sincerely,



Charles E. Grassley

Chairman

Committee on the Judiciary

¹⁸ Treasury Inspector General for Tax Administration *supra* note 1 at 2 (stating that the "IRS releases a redacted version of the report to its Media Relations function annually, and Media Relations releases it upon public request.").

¹⁹ See Letter from Daniel Werfel, Commissioner, Internal Revenue Service *supra* note 3; see also Internal Revenue Service, *Federal Payment Levy Program: Fact Sheet*, (last updated Feb. 25, 2025), <https://www.irs.gov/businesses/small-businesses-self-employed/federal-payment-levy-program>; Internal Revenue Service, *Sec. 5.18.1 Automated Substitute for Return (ASFR) Program*, (last updated June 30, 2023) https://www.irs.gov/irm/part5/irm_05-018-001r.

²⁰ For this question, include the individual statistics for each category of federal employee/retiree provided in the FERDI report: civilian employees, civilian retired, military active duty, military reserve/guard; and military retired.

²¹ For this question, include the individual statistics for each category of federal employee/retiree provided in the FERDI report: civilian employees, civilian retired, military active duty, military reserve/guard; and military retired.