

# Tax Compliance for Social Security Administration Employees

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Office of Audit Report Summary

### Background

We are issuing this report to provide information about Social Security Administration (SSA) employees' compliance with Federal income tax laws.

According to C.F.R. 2635 *Standards of Ethical Conduct for Employees of the Executive Branch*, Federal employees have a responsibility to the Government and U.S. citizens to be loyal to the Constitution, laws, and ethical principles above private gain. One of the principles of the regulation requires that all Federal employees satisfy in good faith their obligations as citizens. This includes all financial obligations, especially Federal, State, and local taxes imposed by law.

In 1993, the Internal Revenue Service (IRS) developed the Federal Employee/Retiree Delinquency Initiative program to promote Federal tax compliance among current and retired Federal employees. The annual report identifies Federal agencies that have employees who are delinquent in paying Federal taxes.

### Summary

Although Federal law requires that Federal employees pay taxes, a small percentage of SSA's workforce did not pay its Federal income taxes. During Fiscal Years (FY) 2006 to 2013, about 3 to 4 percent of SSA's workforce had outstanding tax balances and/or unfiled tax returns. Over the 8-year period, the employees owed \$11 to \$21.8 million in delinquent taxes. As of December 2014, the IRS was levying 1,242 SSA employees' wages to collect unpaid taxes.

Because the Internal Revenue Code generally prohibits the disclosure of taxpayer data to Federal agencies, SSA may not have been aware that a small percentage of its workforce had Federal tax delinquencies. However, in the near future, when conducting background investigations for security clearances, SSA may learn that certain employees are tax delinquent. By 2017, SSA will be required to ensure automatic tax-compliance checks are conducted on employees who occupy public trust and sensitive positions or require access to classified information. The revised Federal Investigative Standards mandate that the IRS conduct these automatic tax compliance checks to determine whether Federal employees have unpaid Federal taxes. About 7 percent of SSA's workforce will be subject to the new tax compliance checks during their background investigations.