

Statement of Secretary Steven T. Mnuchin Before the U.S. Senate Appropriations Subcommittee on Financial Services and General Government

May 15, 2019

Chairman Kennedy, Ranking Member Coons, and members of the Subcommittee, I am pleased to be with you today to discuss the President's Fiscal Year (FY) 2020 Budget and our key policy priorities at the Treasury Department.

President Trump's economic program of tax cuts, regulatory relief, and improved trade deals is resulting in more jobs and higher wages for hardworking families. In the first quarter of 2019, we saw an annual GDP growth rate of 3.2 percent, far exceeding expectations. That follows 3 percent growth from Q4 of 2017 to Q4 of 2018, the fastest fourth quarter to fourth quarter growth in 13 years. Unemployment remains historically low at 3.6 percent, and earnings are up year-over-year by 3.2 percent as well.

These results are because America's economy is the most competitive in the world. The Tax Cuts and Jobs Act (TCJA) lowered business taxes and incentivized the investment of hundreds of billions of dollars in U.S. business operations, leading to more and better career opportunities for workers. It also cut the Federal income tax liability for a typical family earning \$75,000 in half, saving them over \$2,000 per year because of lower rates, a doubled standard deduction, and enhanced child tax credit, among other benefits. Combined with increased earnings, a typical family is seeing as much as \$4,000 dollars more in their paychecks annually.

I want to highlight the Opportunity Zones tax incentive, an important component of the TCJA. Opportunity Zones will ensure that the economic renewal we are experiencing reaches distressed communities. Opportunity Zones provide capital gains tax relief for investments in areas in need of revitalization. We are seeing great enthusiasm for this policy from entrepreneurs and communities seeking to partner with one another to make positive social impacts. We are confident that it will help to restore the promise of prosperity for more Americans.

As you know, trade is a top priority for President Trump and this Administration. I urge all members of Congress to support the United States-Mexico-Canada Agreement (USMCA). This

deal will create the highest standards ever to protect workers and entrepreneurs in our hemisphere. It will strengthen intellectual property rights, support small businesses and manufacturing, and expand U.S. access to Canada's dairy, poultry and egg markets. I would also note that, for the past several months, Ambassador Lighthizer and I have engaged in intensive and serious negotiations with China to improve our trade relationship. China has recently retreated from many commitments they made during those negotiations. We will keep you apprised of any further developments.

Turning to the President's FY 2020 Budget for the Treasury Department, it reflects our objectives of fostering strong economic growth and protecting our national security and technology infrastructure.

I would like to highlight our request for funding for the IRS Integrated Business Systems Modernization Account. Our FY 2020 request for \$290 million is an installment in our multi-year plan to update IRS systems and operations. Carrying out this plan will create a more efficient and effective customer-service experience for taxpayers, improve compliance and enforcement, and ultimately reduce the long-term costs of maintaining these systems. Through the implementation of new technologies, we will provide innovative resources that will not only reduce call and wait times for taxpayers and allow them to conduct business with the IRS online, but also continue to protect sensitive taxpayer data. I would also like to emphasize our program integrity cap adjustment that would provide an additional \$362 million in FY 2020 for more effective enforcement procedures, including investments in data analytics and measures to identify and prevent fraud, identity theft, and other instances of non-compliance. The proposed investments will generate about \$47.1 billion in additional revenues over 10 years and would cost about \$14.5 billion, for a net revenue of \$32.6 billion.

We are requesting \$35 million for the continued implementation of the Foreign Investment Risk Review Modernization Act, known as FIRRMA. This critical legislation passed with overwhelming bipartisan support. It modernizes the process through which the Committee on Foreign Investment in the United States, referred to as CFIUS, reviews transactions for national security risks while preserving the United States' commitment to maintaining an open investment environment.

We are also requesting enhanced funding for Treasury's Office of Terrorism and Financial Intelligence and the Financial Crimes Enforcement Network (FinCEN). These funds are necessary to continue protecting our financial system from abuse by rogue regimes, terrorists, transnational organized criminal enterprises, and other actors posing threats to the American

people and our allies. Our request includes funds for information technology improvements as well as mission-support capabilities. In particular, our request supports the Terrorist Financing Targeting Center and implementation of the Countering America's Adversaries Through Sanctions Act, known as CAATSA. We are also requesting further expansion of FinCEN's capabilities to combat cybercrime and prevent the illicit exploitation of emerging payment systems, such as cryptocurrency.

Finally, I would note that the Budget includes additional support for the Office of Critical Infrastructure Protection and Compliance Policy to help Treasury identify and reduce emerging threats and vulnerabilities to our financial system.

I am pleased to join you today to discuss our plans for creating more jobs, higher wages, and a more secure future for the American people. I look forward to your questions. Thank you very much.

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