DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20005

INSPECTOR GENERAL
FOR TAX
ADMINISTRATION

April 17, 2013

The Honorable Henry A. Waxman
Co-Chair
Bicameral Task Force on Climate Change
Committee on Natural Resources
2204 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Waxman:

This letter and its enclosure responds to your February 25, 2013, request for information concerning the Internal Revenue Service's (IRS) efforts to confront the growing threat of climate change. We gathered data about the IRS's relevant programs and operations related to climate change and coordinated our efforts with the Treasury Inspector General, who received a similar request and has the oversight responsibility for the U.S. Department of the Treasury (hereafter referred to as the Department).

In preparing this response, we (1) reviewed applicable statutes, Executive orders, policy, and guidance relevant to addressing the threat of climate change; (2) requested, obtained, and reviewed other relevant information and documentation from the IRS; and (3) interviewed Department and IRS officials responsible for addressing the growing threat of climate change. As a courtesy, we provided IRS officials with a draft of this letter and its enclosure and considered their comments as we prepared the final document.

Based on our review of relevant documents and interviews, we found that while much of the climate change policy and subsequent annual reporting is centralized at the departmental level, the IRS's size makes it a significant contributor to the Department's performance in reaching its energy and environmental goals, including those related to climate change. For example, 3,059 (86 percent) of the Department's 3,569 vehicles are owned or operated by the IRS. Furthermore, IRS facilities account for 15 (58 percent) of the 26 facilities for which the Department reports environmental and energy progress.[1]

The IRS reported the following recent accomplishments, among others, to the Department:

[1] The energy and environmental goals and accomplishments for properties leased by the IRS from the General Services Administration are reported by the General Services Administration.

- A 22 percent reduction in energy intensity (defined as energy consumption per square foot of building space) in IRS facilities in Fiscal Year 2012, exceeding the IRS's goal of 21 percent.

- The construction of a new facility in Martinsburg, West Virginia, for the replacement of all mechanical, electrical, and plumbing systems with energy-efficient upgrades for the major equipment associated with these systems.

- Complete renovations at the IRS facility in Andover, Massachusetts, including energy efficiency upgrades such as new lighting, a new geothermal system to heat and cool the entire facility, and right-sizing the facility's data center with best practices implemented as part of the construction effort.

I would be pleased to brief you or members of your staff on this response or any other work under our respective or joint jurisdictions. Please contact me should you have any questions regarding this matter, or have your staff contact Mr. David Holmgren, Deputy Inspector General for Inspections and Evaluations, at (202) 622-6500.

Sincerely,

J. Russell George

J. Russell George
Inspector General

Attachment

Identical letters sent to:

The Honorable Edward J. Markey
The Honorable Benjamin L. Cardin
The Honorable Sheldon Whitehouse

Bicameral Task Force on Climate Change Questions – Part 1

(1) Identify the existing requirements in legislation, regulation, Executive Order, and other directives that apply to the Internal Revenue Service (IRS).

We identified the following requirements to address climate change applicable to the IRS in statute, Executive Order, implementing guidance, and U.S. Department of the Treasury (hereafter referred to as the Department) policy:

- The Energy Independence and Security Act of 2007 (EISA), Pub. L. No. 110-140.
- Exec. Order No. 13,423, *Strengthening Federal Environmental, Energy, and Transportation Management*, 3 C.F.R. 193 (2007).
- Treasury Directive 75-09, Environmental Management and Sustainability Program.
- Exec. Order No. 13,514, *Federal Leadership in Environmental, Energy, and Economic Performance*, 3 C.F.R. 248 (2009).
- Chair of the Council on Environmental Quality (CEQ), *Federal Agency Climate Change Adaptation Planning Implementing Instructions, (*Mar. 2011).
- Department of the Treasury, *Policy Statement for Climate Change Adaptation*, (Jun. 2012).

(2) Assess whether the IRS is meeting these requirements.

The IRS reports that it is meeting the requirements addressing climate change set forth in EISA, Exec. Order 13423, Exec. Order 13514, CEQ guidance, and Department policy. Much of the climate change policy and subsequent annual reporting is centralized at the departmental level with the IRS reporting its performance in reaching energy and environmental goals to the Department (including those related to climate change). The Department then aggregates this information from all of its bureaus and reports the results at the agency level.

Specifically, the IRS provided input on the Treasury Strategic Sustainability Performance Plan (Sustainability Plan) which includes an appendix entitled *Climate Change Adaptation Plan: U.S. Department of the Treasury*, issued in June 2012. In the Sustainability Plan, the Department addressed its efforts to achieve environmental, economic, and energy goals mandated in Exec. Order 13514 and prioritized actions based on a positive return on investment.

One such way that the Department reports its progress in meeting these goals is through the Office of Management and Budget Scorecard on Sustainability/Energy. The Scorecard covers seven key areas including greenhouse gas emissions, reductions in energy intensity, the use of renewable energy, reductions in water usage, reductions in fleet petroleum usage, and use of sustainable green buildings. Some of the results that the IRS reported, which contribute to the Department's overall goals, include:

- A 22 percent reduction in energy intensity (defined as energy consumption per square foot of building space) in IRS facilities for Fiscal Year 2012, exceeding the IRS's goal of 21 percent.
- The construction of a new facility in Martinsburg, West Virginia, for the replacement of all mechanical, electrical, and plumbing systems with energy efficient upgrades for the major equipment associated with these systems.
- Complete renovations at the IRS facility in Andover, Massachusetts, including energy efficiency upgrades such as new lighting, a new geothermal system to heat and cool the entire facility, and right-sizing the facility's data center with best practices implemented as part of the construction effort.
- The purchase of 12 percent of their electricity from renewable sources, exceeding their goal of five percent.
- The IRS purchase of renewable energy credits at the headquarters level to exceed the goals set forth. Two facilities (Andover, Massachusetts, and Washington, D.C.) purchased electricity through the General Services Administration aggregate contracts, which included the requirement that five percent of the electricity is from renewable sources.
- The development of Water Management Plans at all IRS sites to incorporate the 10 Best Management Practices. Nearly all sites have installed devices to reduce water consumption in restrooms.

(3) If the IRS is not fully meeting the requirements, make recommendation for improving its performance.

Based on the information we have gathered, we have no recommendations for the IRS.

Bicameral Task Force on Climate Change Questions – Part 2

(1) The authorities the IRS has to reduce emissions of heat-trapping pollution.

We identified authorities applicable to the IRS in Part 1 of this request. We did not identify any other authorities IRS may exercise to reduce emissions from heat-trapping pollution beyond its internal operations in the United States.

(2) Authorities to make the Nation more resilient to the effects of climate change.

As noted in our response above, there were no authorities separate from those identified in Part 1 of this request. While the IRS does not have specific authorities unique to itself to effect climate change, it does have a role in helping to administer some legislative efforts to address climate change through tax provisions. Recent examples of this role include administering the residential energy credit, plug-in electric vehicle credit, and alternative motor vehicle credit contained in the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5).

(3) The most effective additional steps the IRS could take to reduce emissions or strengthen resiliency.

The IRS officials we interviewed did not offer any additional steps that the IRS or Department could take to reduce emissions or strengthen resiliency outside the recommended next steps in the CEQ Progress Report. Based on our understanding of IRS's mission and authorities, we did not separately identify additional steps that the IRS could be taking at this time.