

A report to congressional committees.

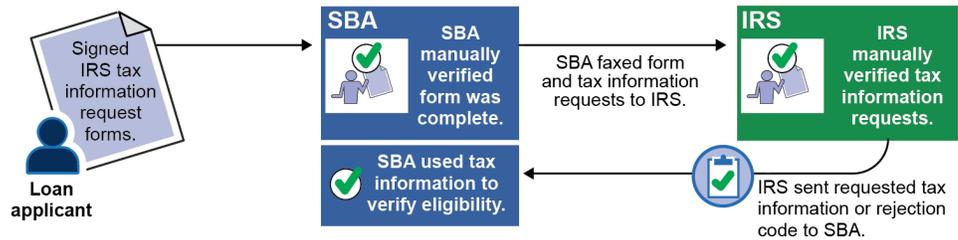
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What GAO Found

During the first year of the COVID-19 Economic Injury Disaster Loan (COVID-19 EIDL) program, the Small Business Administration (SBA) was statutorily prohibited from requiring taxpayer information to verify applicant eligibility and application details. In April 2021, after receiving authorization, SBA began requesting tax data from the Internal Revenue Service (IRS).

SBA and IRS established a legal framework and enhanced processes for sharing tax data. The agencies approved an administrative agreement for the COVID-19 EIDL program that identified the tax information IRS would provide to SBA. To process the large volume of requests, both agencies upgraded IT system components and implemented process changes, including for obtaining applicants' consent to access their tax information. However, IRS backlogs led SBA to request taxpayer information from some applicants directly.

SBA and IRS Data-Sharing Process for COVID-19 EIDL Program



Source: GAO analysis of Small Business Administration (SBA) and Internal Revenue Service (IRS) documentation (and icons). | GAO-26-107682

GAO analyzed SBA COVID-19 EIDL data on almost 3.7 million approved loans totaling about \$360 billion. About half of the loans had tax-related documents in their application records and these loans accounted for about 73 percent of COVID-19 EIDL funding (about \$261 billion). But some tax-related documents may not have contained actual tax data (i.e., they contained IRS messages that tax records were not available).

SBA and IRS actions to share data for COVID-19 EIDL and the ongoing Disaster Loan Program (which uses tax data for similar purposes) generally reflected relevant leading practices for data sharing and interagency collaboration. For example, the agencies conducted periodic data quality control reviews and documented roles and responsibilities.

SBA does not have the statutory authority to receive tax information from IRS without the loan applicant first providing consent through tax request forms. Both agencies manually verify these forms, a process that requires time and staff resources and carries the risk of backlogs or delays. The challenges could be mitigated if SBA were authorized to receive taxpayer information directly from IRS through an amendment to section 6103(l) of the Internal Revenue Code. SBA and IRS have begun to explore opportunities for technological improvements that could introduce efficiencies. By taking steps to improve the efficiency of tax data sharing for the Disaster Loan Program, SBA would be better positioned to leverage existing federal data to serve applicants during future disasters and emergencies and to prevent fraud, waste, and abuse.

Why GAO Did This Study

From March 2020 through May 2022, the temporary COVID-19 EIDL program assisted small businesses and nonprofits affected by the pandemic. SBA's ongoing Disaster Loan program, which offers similar loans, continues to assist businesses and nonprofits affected by disasters. Since March 2021, COVID-19 EIDL has been on GAO's High Risk List due to control deficiencies that make it susceptible to improper payments and fraud.

The explanatory statement accompanying the Further Consolidated Appropriations Act, 2024, includes a provision for GAO to examine SBA and IRS data sharing for COVID-19 EIDL. This report examines (1) SBA and IRS processes for sharing tax information, (2) available data on the extent to which SBA obtained this information, and (3) the extent to which the agencies' data sharing reflected relevant leading practices.

GAO reviewed laws, regulations, and agency agreements for sharing tax data and analyzed application-level COVID-19 EIDL data covering the full application period (March 2020–May 2022). GAO also assessed the agencies' data-sharing process against leading practices and interviewed SBA and IRS officials.

What GAO Recommends

GAO recommends that SBA take steps to improve the efficiency of data sharing with IRS for the Disaster Loan Program, such as by seeking statutory authority for direct access to tax data or by implementing new data-sharing technologies. SBA neither agreed nor disagreed with the recommendation but identified plans to address it.