

## REDUCING WASTE, FRAUD, AND ABUSE

### IN RECONCILIATION 3.0

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**ADVANCING AMERICAN  
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**TOPLINE:** Congress can save taxpayers hundreds of billions in fraud and improper payments by applying the same scrutiny to spending that it pays to American families paying their taxes.

**BACKGROUND:** The federal government reported [\\$184 billion in improper payments](#) last year—equivalent to 8 weeks of gas and groceries for every household in America. Improper payments exclude most fraud that goes undetected. The Government Accountability Office estimates that taxpayers truly lose between \$233 and \$521 billion annually to fraud. These lost taxpayer dollars rival the output of major American industries.

- **Reconciliation 3.0 provides an opportunity to protect taxpayer dollars by reducing waste, fraud, and abuse across the federal government's \$4.2 trillion in annual transfer payments.**

#### **Federal Law Should Require a Full Accounting of Federal Benefits**

- Federal spending should be subject to the same scrutiny as tax collections.
- Invest in the kinds of federal programs that have already been demonstrated to return between \$17 and \$23 for each \$1 of taxpayer funds spent to crack down on waste, fraud, and abuse.

#### **Reduce Abuse by Closing Eligibility Loopholes: No Welfare for the Wealthy**

- Federal standards should determine federal benefit eligibility.

#### **Condition Federal Funds on Compliance with Measurement and Reporting Rules**

- If states or other distributors of federal funds fail to follow federal rules, they should face financial liabilities or disqualification from administering benefits.

#### **Expand Skin-In-The-Game Accountability: Laws Without Enforcement Are Meaningless**

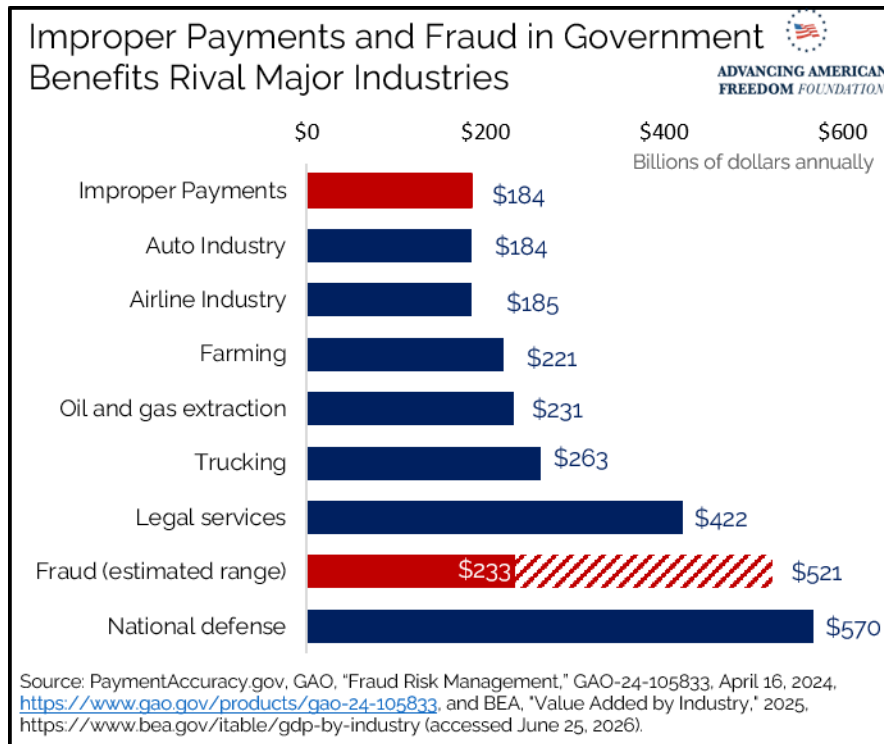
- Lawmakers should expand H.R. 1's SNAP accountability provisions to other programs.

**BOTTOMLINE:** Reconciliation 3.0 could save hundreds of billions of dollars in waste, fraud, and abuse.



## Waste, Fraud, and Abuse Is Too Big to Ignore

Federal taxpayers lose hundreds of billions of dollars each year to waste, fraud, and abuse. In 2025 alone, the federal government reported \$184 billion in improper payments. That is equivalent to eight weeks of gas and groceries for every household in America. Yet, that figure does not include programs that were not measured or fraud that was not detected. While official improper payment reports include only a few billion in “confirmed fraud” each year, the Government Accountability Office estimated that taxpayers lose between \$233 billion and \$521 billion annually to fraud.



Waste, fraud, and abuse have become so prevalent in federal programs that their costs now rival major American industries such as agriculture and the auto industry, and fraud estimates rival or exceed trucking, legal services, and national defense.

Reconciliation 3.0 presents an opportunity to build on the accountability reforms enacted in H.R. 1 by advancing a comprehensive framework centered on two principles:

**Radical transparency**—the federal government should be able to account for every dollar it spends as thoroughly as it accounts for every dollar it collects.

**Meaningful accountability**—states, contractors, and other entities that administer federal programs should bear financial responsibility when they fail to safeguard taxpayer dollars.

Past anti-fraud efforts have yielded positive taxpayer returns and recent efforts show even higher returns on investment. The Council of Inspectors General FY 2025 report to the President and Congress reported a \$17 return on every dollar invested in Offices



of Inspector Generals (OIGs). A three-year pilot program that granted Treasury's Do Not Pay system access to the Social Security Administration's death data from 2024-2026 [yielded \\$23 in taxpayer savings](#) for every \$1 spent in 2024. Some of these returns are rising; Treasury's Office of Payment Integrity amplified efforts to reduce improper payments in recent years, resulting in an [18-fold increase](#) in improper payments prevented, detected, or recovered—from \$653 million in 2023 to \$11.7 billion in 2025.

Returns from additional investments in payment integrity could be even higher. For example, a relatively low-cost, full accounting transparency infrastructure would make it easier to identify suspicious payments and increase the returns of anti-fraud enforcement.

The following reforms could save hundreds of billions of dollars over 10 years if enacted in reconciliation.

### **1. Require a Full Accounting of Federal Benefits**

The American people must account for every dollar they earn through W-2s, 1099s, and other tax forms, and they face audits, penalties, and potential prosecution if they fail to pay the correct amount. Yet, no comparable accountability exists to track more than \$4 trillion in taxpayer dollars that the federal government redistributes each year as transfer benefits.

Fraud thrives in darkness, but transparency creates deterrence.

The Department of Justice's recent \$6.5 billion health care fraud takedown included criminals using stolen identities to claim fake health care claims. If lawmakers had access to a full money trail of federal spending, they would have seen that the individuals' whose identities were stolen did report receipt of the fake healthcare claims on their taxes. That would trigger an inquiry into the alleged provider of the benefits.

Congress should make it possible to [follow the money](#) it spends from beginning to end by:

- Requiring annual tax reporting forms for entities that provide or distribute federal benefits (i.e., a 1099-P), and a separate benefit statement provided by distributors to benefit recipients (i.e., a 1099-BR).
- Cross-checking and auditing federal spending in the same way that the IRS audits taxpayers.

A full accounting system would allow investigators to identify duplicate payments, stolen identities, phantom beneficiaries, and fraudulent claims.



## 2. Reduce Abuse by Closing Eligibility Loopholes

Congress should eliminate or significantly restrict Broad-Based Categorical Eligibility (BBCE).

BBCE allows states to expand SNAP eligibility beyond federal income and asset standards based on individuals' receipt of other nominal welfare benefits that can be as trivial as a brochure. This loophole also opens the door to fraudsters by making it easier to claim eligibility.

The Department of Agriculture estimated that this categorical eligibility resulted in 5.6 million individuals who did not meet the federal eligibility standards nonetheless receiving SNAP benefits. Only seven states do not use BBCE and instead apply the federal eligibility and asset standards of SNAP. The percentage of the population that receives SNAP benefits is 50 percent higher in states that use BBCE (12.3 percent) than in those that apply federal SNAP standards (8.0 percent)—and yet, the average poverty rate is identical across both groups.

Reconciliation should:

- Adopt the No Welfare for the Wealthy framework, which would require states to follow federal eligibility standards for SNAP benefits.

Policymakers must preserve welfare benefits for those in need. Ending BBCE would save [an estimated \\$110 billion](#) over 10 years.

## 3. Condition Federal Funding on Compliance with Measurement and Reporting Standards

Accountability is impossible without accurate measurement and reporting.

Certain federal programs are not measured at all, others are measured inconsistently, and past administrations have directed agencies to intentionally undercount improper payments.

Moreover, recent resistance by [Democrat-run states](#) to the Department of Agriculture's requests for recipient data demonstrates the need for stronger statutory authority. It cannot be the policy of the federal government to give states blank checks even as they refuse to provide their receipts.

Reconciliation should:

- Provide additional funding, as reasonably necessary, to comply with federal measurement standards.
- Condition the receipt of federal funds on compliance with federal measurement standards and data requests. Failure to comply should trigger cost-sharing requirements or disqualification from distributing federal benefits.



Federal policymakers cannot effectively manage programs when they do not know the true magnitude of improper payments, and states and other distributors will not always accurately measure or report data unless they face consequences for failing to do so.

#### **4. Expand Skin-in-the-Game Accountability**

H.R. 1's SNAP cost-sharing reforms represent a remarkable improvement in protecting taxpayers' dollars by better aligning incentives.

Beginning in 2028, states with improper SNAP payment rates of six percent or more will be responsible for a portion of benefit costs, up to 15 percent.

Reconciliation 3.0 should:

- Apply similar cost-sharing standards based on improper payments to other federal transfer programs, including linking states' Federal Medical Assistance Percentages (FMAPs) to their improper payment rates.

Those who spend taxpayer dollars should share responsibility for protecting them.

#### **Conclusion**

Congress's constitutional responsibility over federal spending does not end when taxpayer dollars leave the Treasury. Reconciliation 3.0 offers an opportunity to save hundreds of billions of taxpayers' dollars without cutting a single dollar of authorized and intended spending.

A comprehensive package built around full benefit reporting, eligibility verification, accurate measurement, mandatory cooperation, and skin-in-the-game accountability would help protect taxpayers, preserve benefits for those truly in need, and reduce the hundreds of billions of dollars currently lost to waste, fraud, and abuse each year.

The goal should be simple: Every federal dollar spent should be subject to the same scrutiny and accountability as every dollar the federal government collects.

