



**DEPARTMENT OF WAR
DEFENSE OFFICE OF HEARINGS AND APPEALS**



In the matter of:)
)
) ISCR Case No. 25-01099
)
Applicant for Security Clearance)

Appearances

For Government: William H. Miller, Esq., Department Counsel

For Applicant: *Pro Se*

04/17/2026

Decision

HOGAN, Erin C., Administrative Judge:

This case involves security concerns raised under Guideline F (Financial Considerations). Eligibility for access to classified information is granted.

Statement of the Case

Applicant submitted a security clearance application (SCA) on August 30, 2024. On December 15, 2024, the Defense Counterintelligence and Security Agency (DCSA) sent her a Statement of Reasons (SOR) alleging security concerns under Guideline F. The DCSA acted under Executive Order (EO) 10865, *Safeguarding Classified Information within Industry* (February 20, 1960), as amended; Department of Defense (DOD) Directive 5220.6, *Defense Industrial Personnel Security Clearance Review Program* (January 2, 1992), as amended (Directive); and the adjudicative guidelines (AG) implemented by the DOD on June 8, 2017.

Applicant timely answered the SOR on November 26, 2025, and December 2, 2025, and requested a decision based on the written record in lieu of a hearing. On December 15, 2025, the Government sent Applicant a complete copy of its written case, a file of relevant material (FORM), including pleadings and evidentiary documents

identified as Items 1 through 5. She was given an opportunity to submit a documentary response setting forth objections, rebuttal, extenuation, mitigation, or explanation to the Government's evidence. She received the FORM on January 6, 2026. She was given 30 days to submit a response to the FORM and timely submitted her response on January 12, 2026. The case was forwarded to the Defense Office of Hearings and Appeals (DOHA) Hearing Office on March 30, 2026, and assigned to me on April 9, 2026.

Evidentiary Matters

Items 1 and 2 contain the pleadings in the case and are part of the record. Items 3 through 5 are admitted into evidence without objection. Applicant's Response to the FORM and attached documents are admitted into evidence without objection as Item 6.

Some details in the decision were excluded to protect Applicant's right to privacy. Specific information is available in the cited exhibits and transcript.

Findings of Fact

Applicant, age 22, is an employee of a government contractor who is seeking a security clearance for the first time. She graduated high school in 2021. She is single and has no children. (Item 3)

The SOR alleged:

SOR ¶ 1.a: Applicant failed to file, as required, Federal income tax returns for tax years 2022 and 2023. (Item 3 at 27-28); and

SOR ¶ 1.b: Applicant failed to file, as required, state income tax returns for tax years 2022 and 2023. (Item 3 at 27-28)

On her August 2024 SCA, in response to Section 26 – Financial Record – Taxes – In the last seven (7) years have you failed to file or pay Federal, state, or other taxes required by law or ordinance?" Applicant answered, "Yes." She indicated that she failed to file her federal and state income tax returns for tax years 2022 and 2023. She admitted that she forgot to file her tax returns. She also noted that her W-2s for tax year 2023 were lost in a move. For tax year 2022, she indicated that she could not file her income tax returns online. She had to make an appointment with someone to prepare her income tax returns for that year. For tax year 2023, she indicated she is still waiting for a W-2 from her employe and once she received it, she would file her 2023 returns as soon as possible. (Item 3 at 27-28)

On October 24, 2024, Applicant was interviewed as part of her background investigation. She told the investigator that she failed to file her federal and state income tax returns for tax years 2022 and 2023. She recently became a legal adult and never had to file income tax returns until 2022 and 2023. She was gathering her W-2s from her

employers so that she could file her income tax returns. As soon as she obtained her missing W-2s, she would file her state and federal income tax returns. (Item 4)

In response to DOHA interrogatories, signed by Applicant on June 30, 2025, she indicated she failed to file her state and federal income tax returns for tax years 2022 and 2023 because she was naïve and was not aware that she needed to file tax returns. She also moved and lost some W-2 forms from past employers. She was attempting to retrieve the W-2s from her past employers. Her net monthly income was approximately \$2,882. Her net monthly expenses were approximately \$748. After expenses, her net monthly remainder was approximately \$2,134. (Item 5 at 5-6)

In Response to the SOR in December 2025, Applicant admitted that she failed to file her federal and state income tax returns for tax years 2022 and 2023. She indicated she had filed all of the income tax returns. She provided copies of her 2022 and 2023 federal income tax returns but did not provide copies of her 2022 and 2023 state income tax returns. (Item 2)

In the Response to the FORM, Applicant provided sufficient evidence that she filed both her federal and state income tax returns for tax years 2022 and 2023. She sought assistance from a professional tax preparer to file her late state and federal income tax returns. (Item 6)

For tax year 2022, she received a federal income tax refund of \$ 1,535 (Item 6 at 11, 13-15) and a state income tax refund of \$515. (Item 6 at 4-11,13-15)

For tax year 2023, she received a federal income tax refund of \$ 515 (Item 6 at 16-19) and a state income tax refund of \$242. (Item 6 at 12)

Applicant also provided a copy of her federal income tax return for tax year 2024. She owed the Internal Revenue Service (IRS) \$43 for tax year 2024. Her tax preparer provided a chart that summarized her 2024 federal and state income tax returns. She received a state income tax refund of \$230. (Item 6 at 20-22) Her 2024 federal and state income tax returns were not alleged in the SOR. They will only be considered under matters of extenuation and mitigation.

Policies

“[N]o one has a ‘right’ to a security clearance.” (*Department of the Navy v. Egan*, 484 U.S. 518, 528 (1988)). As Commander in Chief, the President has the authority to “control access to information bearing on national security and to determine whether an individual is sufficiently trustworthy to have access to such information.” (*Egan* at 527). The President has authorized the Secretary of Defense or his designee to grant applicants eligibility for access to classified information “only upon a finding that it is clearly consistent with the national interest to do so.” (EO 10865 § 2)

Eligibility for a security clearance is predicated upon the applicant meeting the criteria contained in the AG. These guidelines are not inflexible rules of law. Instead, recognizing the complexities of human behavior, an administrative judge applies these guidelines in conjunction with an evaluation of the whole person. An administrative judge's overarching adjudicative goal is a fair, impartial, and commonsense decision. An administrative judge must consider all available and reliable information about the person, past and present, favorable and unfavorable.

The Government reposes a high degree of trust and confidence in persons with access to classified information. This relationship transcends normal duty hours and endures throughout off-duty hours. Decisions include, by necessity, consideration of the possible risk that the applicant may deliberately or inadvertently fail to safeguard classified information. Such decisions entail a certain degree of legally permissible extrapolation about potential, rather than actual, risk of compromise of classified information.

Clearance decisions must be made "in terms of the national interest and shall in no sense be a determination as to the loyalty of the applicant concerned." (EO 10865 § 7). Thus, a decision to deny a security clearance is merely an indication the applicant has not met the strict guidelines the President and the Secretary of Defense have established for issuing a clearance.

Initially, the Government must establish, by substantial evidence, conditions in the personal or professional history of the applicant that may disqualify the applicant from being eligible for access to classified information. The Government has the burden of establishing controverted facts alleged in the SOR. (*Egan*, 484 U.S. at 531). "Substantial evidence" is "more than a scintilla but less than a preponderance." (*See v. Washington Metro. Area Transit Auth.*, 36 F.3d 375, 380 (4th Cir. 1994)). The guidelines presume a nexus or rational connection between proven conduct under any of the criteria listed therein and an applicant's security suitability. ISCR Case No. 15-01253 at 3 (App. Bd. Apr. 20, 2016). Once the Government establishes a disqualifying condition by substantial evidence, the burden shifts to the applicant to rebut, explain, extenuate, or mitigate the facts. (Directive ¶ E3.1.15). An applicant has the burden of proving a mitigating condition, and the burden of disproving it never shifts to the Government. (ISCR Case No. 02-31154 at 5 (App. Bd. Sep. 22, 2005))

An applicant "has the ultimate burden of demonstrating that it is clearly consistent with the national interest to grant or continue his security clearance." (ISCR Case No. 01-20700 at 3 (App. Bd. Dec. 19, 2002)). "[S]ecurity clearance determinations should err, if they must, on the side of denials." (*Egan*, 484 U.S. at 531; AG ¶ 2(b))

Analysis

Guideline F: Financial Considerations

The concern under this guideline is set out in AG ¶ 19:

Failure to live within one's means, satisfy debts, and meet financial obligations may indicate poor self-control, lack of judgment, or unwillingness to abide by rules and regulations, all of which can raise questions about an individual's reliability, trustworthiness, and ability to protect classified or sensitive information. Financial distress can also be caused or exacerbated by, and thus can be a possible indicator of, other issues of personnel security concern such as excessive gambling, mental health conditions, substance misuse, alcohol abuse or dependence. An individual who is financially overextended is at greater risk of having to engage in illegal or otherwise questionable acts to generate funds.

This concern is broader than the possibility that a person might knowingly compromise classified information to raise money. It encompasses concerns about a person's self-control, judgment, and other qualities essential to protecting classified information. A person who is financially irresponsible may also be irresponsible, unconcerned, or negligent in handling and safeguarding classified information. (ISCR Case No. 11-05365 at 3 (App. Bd. May 1, 2012)).

AG ¶ 19 notes several disqualifying conditions that could raise security concerns. The disqualifying condition that is relevant to Applicant's case is:

(f) failure to file or fraudulently filing annual Federal, state, or local income tax returns or failure to pay annual Federal, state, or local income tax as required.

AG ¶ 19(f) applies. Applicant failed to file her Federal and state income tax returns for tax years 2022 and 2023.

The DOHA Appeal Board has commented about the security concerns raised when a person fails to timely file income tax returns:

Failure to file tax returns suggests that an applicant has a problem with complying with well-established governmental rules and systems. Voluntary compliance with such rules and systems is essential for protecting classified information. ISCR Case No. 01-05340 at 3 (App. Bd. Dec. 20, 2002). As we have noted in the past, a clearance adjudication is not directed at collecting debts. *See, e.g.*, ISCR Case No. 07-08049 at 5 (App. Bd. Jul. 22, 2008). By the same token, neither is it directed toward *inducing an applicant to file tax returns. Rather, it is a proceeding aimed at* evaluating an applicant's judgment and reliability. *Id.* A person who fails repeatedly to fulfill his or her legal obligations does not demonstrate the high degree of good judgment and reliability required of those granted access to classified information. *See, e.g.*, ISCR Case No. 14-01894 at 5 (App. Bd. Aug. 18, 2015). *See Cafeteria & Restaurant Workers Union Local 473 v. McElroy*, 284 F.2d 173, 183 (D.C. Cir. 1960), *aff'd*, 367 U.S. 886 (1961).

AG ¶ 20 describes conditions that could mitigate security concerns. The following are potentially applicable in this case:

(a) the behavior happened so long ago, was so infrequent, or occurred under such circumstances that it is unlikely to recur and does not cast doubt on in the individual's current reliability, trustworthiness, or good judgment; and

(g) the individual has made arrangements with the appropriate tax authority to file or pay the amount owed and is in compliance with those arrangements.

Both AG ¶ 20(a) and AG ¶ 20(g) apply because Applicant provided sufficient proof that she filed her federal and state income tax returns for tax years 2022 and 2023. She was only 19 and 20 years-old when the returns were due. She was young and somewhat naïve about filing income tax returns. She also fully disclosed her failure to file her federal and state income tax returns on her August 2024 SCA, during her background investigation interview, in her response to interrogatories, and in her responses to the SOR and the FORM. She was upfront and honest about this issue. While it took some time to get her W-2s, she hired a tax preparer who filed her federal and state income tax returns for tax years 2022 and 2023. She has learned an important lesson about filing her federal and state income returns in a timely manner. She has also learned that failure to file her income tax returns or failure to timely pay any taxes owed raise security concerns for individuals who possess a security clearance. Overall, Applicant mitigated the concerns raised under Financial Considerations.

Whole-Person Concept

Under AG ¶ 2(c), the ultimate determination of whether the granting or continuing of national security eligibility is clearly consistent with the interests of national security must be an overall commonsense judgment based upon careful consideration of the adjudicative guidelines, each of which is to be evaluated in the context of the whole person. An administrative judge should consider the nine adjudicative process factors listed at AG ¶ 2(d):

(1) the nature, extent, and seriousness of the conduct; (2) the circumstances surrounding the conduct, to include knowledgeable participation; (3) the frequency and recency of the conduct; (4) the individual's age and maturity at the time of the conduct; (5) the extent to which participation is voluntary; (6) the presence or absence of rehabilitation and other permanent behavioral changes; (7) the motivation for the conduct;

(8) the potential for pressure, coercion, exploitation, or duress; and (9) the likelihood of continuation or recurrence.

I have incorporated my comments under Guideline F in my whole-person analysis, and I have considered the factors in AG ¶ 2(d). Applicant is in her early 20s and was naïve about timely filing her federal and state income tax returns. Once she received her missing W-2s, she hired a professional tax preparer who filed her federal and state income tax returns. After weighing the disqualifying and mitigating conditions under Guideline F and evaluating all the evidence in the context of the whole person, I conclude that Applicant mitigated the security concerns raised under financial considerations.

Formal Findings

Formal findings on the allegations set forth in the SOR, as required by Section E3.1.25 of Enclosure 3 of the Directive, are:

Paragraph 1, Guideline F: FOR APPLICANT

Subparagraphs 1.a – 1.b: For Applicant

Conclusion

I conclude that it is clearly consistent with the interests of national security to grant Applicant eligibility for access to classified information. Clearance is granted.

Erin C. Hogan
Administrative Judge