

Congressional Hearing Report

COMMITTEE: Senate Finance Committee

SUBJECT: Nomination of Charles P. Rettig to be Commissioner of the IRS

DATE: June 28, 2018

Members Present

Chairman Hatch (R-UT)
Senator Isakson (R-GA)
Senator Toomey (R-PA)
Senator Scott (R-SC)
Senator Portman (R-OH)
Senator Cassidy (R-LA)

Ranking Member Wyden (D-OR)
Senator Menendez (D-NJ)
Senator Carper (D-DE)
Senator Cardin (D-MD)
Senator Brown (D-OH)
Senator Whitehouse (D-RI)

Witness Panel

Mr. Charles P. Rettig

Overview

The Senate Finance Committee held a hearing to consider the nomination of Charles P. Rettig to be commissioner of the Internal Revenue Service. Although media reports speculated that Mr. Rettig may face numerous contentious questions on topics ranging from his ability to lead an enormous government bureaucracy to potential conflicts of interest arising from his property ownerships within the Waikiki Trump International Hotel, the hearing was largely conducted in a respectful and courteous manner.

Republican members of the panel used their questions to identify necessary reforms and modernizations of IRS systems and procedures they would like Mr. Rettig, if appointed, to explore, all while commending his willingness to serve. While many Democratic members did encourage Mr. Rettig to publicly affirm his independence from the administration and to elaborate on his management experience, no direct attacks were made on the nominee's

character or qualifications. Additionally, no public objections were made with regard to the nominee's confirmation.

Republican members also voiced their support for tax reform legislation, implemented a few months ago, and expressed their hope that Mr. Rettig would oversee the successful implementation of its provisions. On the other hand, Democratic members criticized the reform bill for complicating the tax code and creating widespread confusion amongst taxpayers. They urged Mr. Rettig to ensure that the IRS would provide clear and timely guidance to the nation's lower income taxpayers.

Notably, Mr. Rettig's lack of government experience and in-depth knowledge of IRS operations was on display at various moments during the hearing. Rather than provide detailed answers as to how he would address the various problems plaguing the agency, the nominee's responses were generally just affirmations that issues existed. Despite his inability to outline more specific reform strategies he would explore as commissioner, the overall atmosphere of the hearing along with the tone in which lawmakers questioned the witness suggest that Mr. Rettig will be confirmed without significant difficulties.

Opening Statements

Chairman Hatch

During his opening statement, Chairman Hatch (R-UT) highlighted the IRS's aging technological systems and workforce as the key issues he believes Mr. Rettig should plan to address without delay, if confirmed. The chairman additionally expressed his support for the nominee and rebuked press reports pertaining to the witness's property stakes in the Trump Waikiki hotels, which he argued mischaracterized Mr. Rettig's honesty with the committee.

Ranking Member Wyden

Ranking Member Wyden (D-OR) noted his concern over allegations that the nominee's career has been rooted in assisting the wealthy in their attempts to manipulate their tax obligations. He also stressed the importance for Mr. Rettig to demonstrate his independence from the president in order to prevent the administration's potential abuse of the IRS. In his opening remarks, Mr. Rettig asserted that addressing the agency's antiquated technology systems, overseeing the successful implementation of the tax reform legislation, and rebuilding trust between the IRS and the American people would be his highest priorities in office.

The following list of themes and topics guided much of the hearing:

- Antiquated technology and aging workforce
- The nominee's independence from the administration and management experience
- Reductions in agency funding
- Taxpayer identity protection and theft prevention
- Private debt collection
- Charitable deduction programs

Highlights from Q&A

Antiquated Technology and Aging Workforce

- Chairman Hatch (R-UT) broadly noted that the agency's antiquated technology systems and aging workforce are serious problems that must be addressed. Mr. Rettig reassured the Chairman that the modernization of the agency's technology is one of his top goals.
- Sen. Portman (R-OH) and Sen. Cassidy (R-LA) both emphasized the need for improvements in IRS communication systems. Mr. Rettig acknowledged that the failure to respond to taxpayers in an efficient and timely manner has significantly undermined trust in the agency, which is critical to the foundation of this nation's tax collection mechanisms. He also stated that he has examined various state programs that allow callers to leave call back numbers, from which they would be contacted after a short wait. Rettig claimed that he intends to explore if successful call response programs, utilized on the state level or in the private sector, can be implemented on the federal level.
- Sen. Carper (D-DE) questioned Mr. Rettig on his views of the IRS streamlined critical pay authority, stating that the IRS must look to attract top level talent in the technology industry. Mr. Rettig contended that he is a proponent of the agency's critical pay authority, particularly with respect to information technology operations.
- Sen. Carper (D-DE) also asked the nominee if he would be in support of a \$400 million upgrade in the agency's technology. Mr. Rettig answered that American taxpayers deserve the most up-to-date IT system.

Independence from the Administration

- Ranking Member Wyden (D-OR) repeatedly pressed Mr. Rettig on the issue of independence from the Trump administration. The senator used a significant portion of his time to address a statement Vice President Pence had recently made, which claimed that the provision prohibiting tax-exempt organizations from participating in political campaigns would no longer be enforced under the current administration. He directly asked the nominee if, under his command, the IRS would be beholden to the administration. Mr. Rettig responded that he alone would be in charge, and he would ensure that the IRS operates in accordance with the law.
- Sen. Whitehouse (D-RI) raised historical examples of the political abuse of the IRS by prominent lawmakers. He asked Mr. Rettig if he has made or has been asked to make a loyalty pledge to President Trump. He also requested that the nominee affirm that he would remain staunchly independent. Mr. Rettig stated he had not made a loyalty pledge and confirmed that he would remain independent.

Management Experience

- Members of the committee spent much less time questioning Mr. Rettig on his management experience than previously anticipated. Ranking Member Wyden (D-OR) requested that Mr. Rettig submit a written testimony outlining the type of management approach he would take towards leading the IRS.
- Sen. Carper (D-DE) simply presented the nominee with an opportunity to speak to his management and leadership abilities.

Reductions in Funding

- Sen. Carper (D-DE) and Sen. Cardin (D-MD) both underscored the notion that perennial reductions in the agency's funding have created a significant problem. Mr. Rettig stressed that it is the agency's responsibility to use whatever funds are allocated to its budget in the most efficient manner possible.

Identity Protection and Theft Prevention

- Sen. Cassidy (R-LA) used his time to raise the issue of taxpayer identity protection. The nominee expressed support for establishing a single point of contact within the agency, in charge of all identity theft matters. He also stated his intention to strengthen the criminal investigations branch of the IRS.

Private Debt Collection

- Sen. Brown (D-OH) and Sen. Cardin (D-MD) both emphasized their disapproval of the private debt collection program. They claimed that the program is confusing for taxpayers and unfairly targets low income individuals. Mr. Rettig promised that he would review the private debt collection program. He added that the agency's responsibility is to adhere to the law, which sanctions the program. He believes the issues surrounding the debt collection program stem from the improper implementation of the law.

Charitable Deduction Programs

- Mr. Rettig was uncertain whether newly established charitable programs by states attempting to circumvent the state and local deduction (SALT) cap would receive the same blessing from the IRS as previous state charitable deduction programs have.

Other Highlights

- Sen. Brown (D-OH) thanked Mr. Rettig for the work he has done with the agency's Volunteer Income Tax Assistance (VITA) program and requested that he reaffirm his commitment to providing the program with the resources it would need to meet low income taxpayer demands. Mr. Rettig assured the senator of his support for VITA.

- Sen. Portman (R-OH) voiced his support for an IRS oversight board, which would bring in service sector and management experts to advise the agency. Mr. Rettig echoed the senator's support for additional oversight and said that he is open to all inputs.
- In response to Sen. Portman, Mr. Rettig also announced his support for taxpayer access to an independent appeals process.
- Sen. Whitehouse (D-RI) requested that the nominee comment on his strategies to counter shell corporations, commonly used for tax evasion purposes and criminal activity. Mr. Rettig advocated for strengthening the agency's enforcement mechanisms and criminal investigations division.
- Sen. Toomey (R-PA) outlined his disapproval of the *Foreign Account Tax Compliance Act* (FATCA), claiming that the provision places undue burdens on American citizens abroad. Mr. Rettig declared that he would work with the committee to lessen the burdens that FATCA or any other cumbersome provisions place on American taxpayers.

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