

**NOMINATION OF FRED T. GOLDBERG, JR., AND
SHIRLEY D. PETERSON**

HEARING

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

SECOND SESSION

ON THE

NOMINATION OF

FRED T. GOLDBERG, JR., TO BE AN ASSISTANT SECRETARY OF THE
TREASURY FOR TAX POLICY, AND SHIRLEY D. PETERSON TO BE COM-
MISSIONER OF THE INTERNAL REVENUE SERVICE

—————
JANUARY 30, 1992
—————



Printed for the use of the Committee on Finance

—————
U.S. GOVERNMENT PRINTING OFFICE

54-061

WASHINGTON : 1992

—————
For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

ISBN 0-16-038347-1

5361-35

COMMITTEE ON FINANCE

LLOYD BENTSEN, Texas, *Chairman*

DANIEL PATRICK MOYNIHAN, New York	BOB PACKWOOD, Oregon
MAX BAUCUS, Montana	BOB DOLE, Kansas
DAVID L. BOREN, Oklahoma	WILLIAM V. ROTH, Jr., Delaware
BILL BRADLEY, New Jersey	JOHN C. DANFORTH, Missouri
GEORGE J. MITCHELL, Maine	JOHN H. CHAFEE, Rhode Island
DAVID PRYOR, Arkansas	DAVID DURENBERGER, Minnesota
DONALD W. RIEGLE, Jr., Michigan	STEVE SYMMS, Idaho
JOHN D. ROCKEFELLER IV, West Virginia	CHARLES E. GRASSLEY, Iowa
TOM DASCHLE, South Dakota	ORRIN G. HATCH, Utah
JOHN BREAUX, Louisiana	

VANDA B. MCMURTRY, *Staff Director and Chief Counsel*
EDMUND J. MIHALSKI, *Minority Chief of Staff*

CONTENTS

OPENING STATEMENTS

	Page
Bentsen, Hon. Lloyd, a U.S. Senator from Texas, chairman, Senate Finance Committee	1
Danforth, Hon. John C., a U.S. Senator from Missouri.....	1
Chafee, Hon. John H., a U.S. Senator from Rhode Island.....	2
Moynihan, Hon. Daniel Patrick, a U.S. Senator from New York	3
Durenberger, Hon. Dave, a U.S. Senator from Minnesota	3
Hatch, Hon. Orrin G., a U.S. Senator from Utah.....	4
Pryor, Hon. David, a U.S. Senator from Arkansas	4

COMMITTEE PRESS RELEASE

Finance Committee to Consider Nominees for Treasury, IRS	1
--	---

ADMINISTRATION NOMINEES

Goldberg, Fred T., nominee for Assistant Secretary of the Treasury for Tax Policy	7
Peterson, Shirley D., nominee for Commissioner of the Internal Revenue Service.....	10

CONGRESSIONAL WITNESS

Morella, Hon. Constance A., a U.S. Representative from Maryland	9
---	---

ALPHABETICAL LISTING AND APPENDIX MATERIAL SUBMITTED

Bentsen, Hon. Lloyd: Opening statement.....	1
Chafee, Hon. John H.: Opening statement.....	2
Danforth, Hon. John C.: Opening statement.....	1
Durenberger, Hon. Dave: Opening statement..... Prepared statement	3 15
Goldberg, Fred T.: Testimony	7
White House press release on nominee	15
Hatch, Hon. Orrin G.: Opening statement.....	4
Morella, Hon. Constance A.: Testimony	9
Moynihan, Hon. Daniel Patrick: Opening statement.....	3
Peterson, Shirley D.: Testimony	10
Prepared statement	15
Pryor, Hon. David: Opening statement.....	4

**NOMINATION OF FRED T. GOLDBERG, JR., TO
BE AN ASSISTANT SECRETARY OF THE
TREASURY FOR TAX POLICY, AND SHIRLEY
D. PETERSON TO BE COMMISSIONER OF THE
INTERNAL REVENUE SERVICE**

THURSDAY, JANUARY 30, 1992

**U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.**

The hearing was convened, pursuant to notice, at 10:28 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman of the committee) presiding.

Also present: Senators Moynihan, Mitchell, Pryor, Rockefeller, Daschle, Breaux, Dole, Danforth, Chafee, Durenberger, Symms, Grassley, and Hatch.

[The press release announcing the hearing follows:]

[Press Release No. M-2, Jan. 28, 1992]

FINANCE COMMITTEE TO CONSIDER NOMINEES FOR TREASURY, IRS

WASHINGTON, DC—Senator Lloyd Bentsen, Chairman, announced Tuesday the Senate Finance Committee will hold a confirmation hearing and consider nominees for the Department of Treasury and the Internal Revenue Service.

The meeting will be *Thursday, January 30, 1992*, following the 10 a.m. markup of unemployment compensation, in Room SD-215 of the Dirksen Senate Office Building.

The nominees are Fred T. Goldberg Jr., who has been IRS Commissioner since 1989, to be Assistant Secretary of the Treasury for Tax Policy, and Shirley D. Peterson, who has been Assistant Attorney General for the Tax Division at the Department of Justice, to succeed Goldberg as IRS Commissioner.

**OPENING STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR
FROM TEXAS, CHAIRMAN, SENATE FINANCE COMMITTEE**

The CHAIRMAN. We are very pleased this morning to have our distinguished colleague, the senior Senator from the State of Missouri to introduce the nominee, Senator Danforth.

**OPENING STATEMENT OF HON. JOHN C. DANFORTH, A U.S.
SENATOR FROM MISSOURI**

Senator DANFORTH. Thank you, Mr. Chairman. I hope that this goes more smoothly than the last nominee that I presented for my provision. [Laughter.]

It is really a privilege to present Fred Goldberg to the committee for Assistant Secretary of the Treasury for Tax Policy. Fred Gold-

berg is a St. Louisian, and he is yet another remarkable product of the St. Louis Country Day School.

And, as a matter of fact, was a classmate of my brother-in-law at that school and was well-known by my brother-in-law. He has served as Commissioner of Internal Revenue after being in the law practice here in Washington. He is a graduate of Yale College and Yale Law School.

And I have had some dealings with Fred Goldberg as Commissioner, one of them having to do with a complaint that had been made dealing with an allegedly abusive practice toward an employee in one of the offices of the IRS. And his response to that complaint was just extraordinarily sensitive and concerned, and deeply felt.

So, I think Fred Goldberg is not only a very accomplished tax lawyer, but I think he is a first-rate person, as well. And, therefore, it is a particular honor for me to introduce him to our committee.

The CHAIRMAN. Thank you, Senator Danforth. I must say that when Secretary Brady called me about proposing you for this responsibility, I told him I was not very excited about the idea, for a different reason, though: that I thought you had done a remarkably good job at the IRS, and I hated to lose you there.

But now seeing you nominated to be the new Assistant Secretary of Treasury for Tax Policy, and realizing the President's budget was presented just 2 days ago, no question, you are going to have to hit the ground running.

Having spent the last 3 years as Commissioner of the Internal Revenue Service, and including several appearances before this committee and a number of visits and meetings between us talking about what could be done to improve the IRS's work, you are no stranger to the Congress. And I am confident and optimistic that we are going to be able to have a continuance of the productive relationship that you have had with this committee.

In fact, I was interested in reading your letter to Ann Landers in yesterday's Washington Post. She has a great reading audience.

You encouraged delinquent tax filers to use various assistance programs and file their past due returns—I am pleased that so many readers have been made aware of the benefits of the recently expanded earned income tax credit that this committee worked so hard to enact.

I hope that that letter of yours means more working Americans will benefit from that earned income tax credit. Well, we have got a tough season ahead of us, and I am looking forward to working with you.

I would like to now yield to—I think you made your point, Senator Danforth—a ranking minority member for any comment.

Senator Chafee.

OPENING STATEMENT OF HON. JOHN H. CHAFEE, A U.S. SENATOR FROM RHODE ISLAND

Senator CHAFEE. Thank you, Mr. Chairman. I just want to say that one of the things I have been impressed about on this committee is the capabilities and distinguished number of Assistant Secretaries of Treasury for Tax Policy that we have seen come before us.

I have not seen, obviously, as many as you have, Mr. Chairman, but just thinking back of some of them—of course, Mr. Goldberg's predecessor, Ken Gideon, and Don Chapoton, Buck Chapoton, and Roger Mentz. If I have left any out, it is not because they do not fall in that group.

In the course of the years we have worked extremely closely with the Assistant Secretary, more than any other individual at Treasury.

So, you are following in a wonderful tradition. And Senator Danforth's support for you, obviously, is helpful, and I am sure you will do an excellent job. We look forward to working with you and I am glad that you are undertaking this responsibility. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Moynihan, do you have any comments?

**OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A
U.S. SENATOR FROM NEW YORK**

Senator MOYNIHAN. I do, Mr. Chairman, in exactly the tenor of Senator Chafee's remarks.

I am sure Mr. Goldberg—Mr. Secretary we will soon be calling you—knows this, but he may not have absorbed it as much as he should, that the position of Assistant Secretary of Tax Policy, while clearly one which requires the incumbent to advocate the proposals of the administration, of the President, has always been more than that.

It was under President Carter, it was under President Reagan, and President Bush. He has, in some sense—I hope I do not overstate—been counsel to this committee also, and has given us lawyer-like advice in matters where he was free on policy matters, and where he was speaking on policy matters, has made the distinction and let us know that he is speaking to the policy of the administration.

And if there were other views, he can teach it either way, as it were. And it has been an enormous resource for us, and it is a fine tradition of public service which you now enter. And I am sure you will do very well at it, sir.

The CHAIRMAN. Thank you.

Senator MOYNIHAN. And also you were a partner in Skadden & Arps, which I would not want to let pass. Not everybody is from Yale or St. Louis.

The CHAIRMAN. Or Country Day School. [Laughter.]

Senator Durenberger.

**OPENING STATEMENT OF HON. DAVE DURENBERGER, A U.S.
SENATOR FROM MINNESOTA**

Senator DURENBERGER. Mr. Chairman, John Chafee has already alluded to the size of the shoes into which Mr. Goldberg steps, and we all who have come to know him know that he qualifies well.

But probably more so, at least from my experience with him—and you reflected it in your comments, as did Jack Danforth—that my impression of Fred Goldberg is that if there is a human side to

tax policy and its implementation, he tries to make sure that it is there.

I have a statement that I would like to make part of the record.

[The prepared statement of Senator Durenberger appears in the appendix.]

The CHAIRMAN. Thank you. Are there further comments?

**OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR
FROM UTAH**

Senator HATCH. Mr. Chairman, I notice that the Chairman has to put his hands up to see me all the way over here——

The CHAIRMAN. Well, I have got that light, Senator.

Senator HATCH. I am only kidding.

Mr. GOLDBERG. I am afraid it is because I have been bowing my head, Mr. Hatch. [Laughter.]

Senator HATCH. You and Senator Garn.

Mr. Chairman, I just want to say that I know Fred Goldberg and he is a person of tremendous integrity, capacity, ability, and I think humanness. A very, very fine man, and I think he has done a wonderful job down there.

And I want to just in these few seconds just say how much I appreciate the work you have done, and the kindness with which you have handled it, and yet, forthrightness, and how much I support you for this position. So, that is all I have to say. But I want you to know that we think very highly of you.

The CHAIRMAN. Thank you. Are there other comments?

Senator Pryor.

**OPENING STATEMENT OF HON. DAVID PRYOR, A U.S. SENATOR
FROM ARKANSAS**

Senator PRYOR. Mr. Chairman, thank you. Mr. Goldberg, we hate to see you leave the Internal Revenue Service.

I remember our first visit, and I remember as you were leaving my office that morning right before your confirmation, you stated that you had had in your law school career, I believe, a very distinguished classmate and a mutual friend who is now the Governor of our State, Bill Clinton. And Governor Clinton, I might say, after that, spoke very, very highly of you.

We wish you well in your new role.

Mr. Goldberg, on November 14, Chairman Bentsen and I joined together in a letter.

This relates to pension rules under section 401(a)(4) of the Internal Revenue Code. We wrote a letter November 14 to Secretary Brady because we were very concerned about these regulations. These regulations are 600 pages long; 600 pages long.

As we stated in the letter, we wished some thought would be given to delaying these rules, and we wondered how in the world they could be implemented by 1992.

Actually, these rules are in effect now; 600 pages of new rules we expect all businesses and all pension plans to comply with all over the country. Impossible.

We never got a response from that letter written on November 14.

All of the members of this committee then became so concerned about this matter, every one of us; Democrats and Republicans alike, that all 20 Finance Committee members wrote on November 25, a letter to Secretary Brady regarding these regulations asking for delay. We have not gotten a response.

We think that you ought to look seriously about the implementation of these new rules, 600 pages, all new regulations.

We have not gotten a response to that letter of November 25.

The Chairman did not receive response; I did not. To the best of my knowledge, not one member of this committee received a response.

Now, I am wondering what is going on, and I am wondering if that is the type of attitude that is going to be prevalent when you assume your new role. And, I must say, it is a very strategic role that you will be taking on, and it is a role that has a very direct relationship to this committee. And I am wondering how you might respond to letters if we send you such letters.

Mr. GOLDBERG. Senator, I would hope we would always respond, both promptly and candidly. And I believe that that is a tradition that I am entering into. With respect to that particular letter, I do not have any information.

However, I will tell you that to the best of my knowledge, from the Commissioner's perspective, we are trying to work as rapidly and aggressively as we can with the taxpaying public and with the taxpaying community to deal with issues that require sensitivity to record-keeping burdens, changes that may be required, or interpretations that may be required to facilitate implementation of those rules.

There has been no comprehensive guidance in that area for years, and years, and years, as you know. That poses an untenable burden on business. It was our judgment that the best thing we could do was to put out the rules, make them effective.

While they are effective January 1st, we have tried and will continue to try to work with the taxpaying public so that they have the opportunity to work into compliance over time, they will not be penalized, they will not suffer undue hardship as they work down the road. But the time has come to get a set of rules in place so the world can get about its business.

Senator PRYOR. Those regulations were issued, Mr. Goldberg, in September of last year, 1991. It is my understanding that great portions, and maybe, perhaps, a majority of the regulations were never subjected to any public comment whatsoever.

Now, I want to thank the Department of Treasury for recognizing the problems in the pension programs, because they are so complex that most businesses do not have the expertise or knowledge to go forward with a pension program for their employees, or a cooperative agreement.

But I am very concerned about not only 600 pages of new regulations, but even more importantly, the attitude—the attitude of non-response when 20 members of this committee write to the Secretary of the Treasury asking for his comments on seeking a delay. And I hope that you will take this matter—

Mr. GOLDBERG. Well, Mr. Pryor, I believe you will get a response in short order.

Senator PRYOR. Thank you. Thank you.

The CHAIRMAN. Let me state, I strongly agree with the comments made by the Senator from Arkansas. I have a great interest in the pension programs. I chaired that subcommittee when I first came on this committee.

To have 20 members of this committee write the Treasury Department and not get a response in that period of time is outrageous. All 20 members signed that letter.

Now I am proposing legislation to stop that set of regulations. I hope we do not have to pass it. But I have a hunch we will sure pass it if we do not get a response, and a responsible one. So, I strongly urge that.

Let me tell you another concern I have. There is a growing perception the Treasury is not calling the shots regarding tax policy decisions; that that is being done by the Office of Management and Budget. Now, is that perception a reality, or not? If you think so, what can we do about it?

Mr. GOLDBERG. As an observer, Mr. Chairman, I am comfortable with the relationships with the administration. I have not been part of that process to date, but my sense of the way tax policy has been formulated and promulgated by the administration is that it has been reasonably effective. But, again, I do not know the inner workings of it. I am sure that I will learn shortly.

The CHAIRMAN. I will tell you, my impression is to the contrary; that the OMB is intruding more and more on what I normally think of as policy decisions to be made by Treasury. And I find it quite disturbing.

You have made yourself quite a champion for tax simplification. What do you think you can do in your new job along those lines?

Mr. GOLDBERG. Working with you and your colleagues, Mr. Chairman, I hope we can deliver on the promise. We are killing the folks out there. I think the pension area is a notable example; the foreign area.

I think that the complexity of the laws that we collectively have created is unacceptable, and I would like to congratulate you and your colleagues for the steps that you have taken down that road.

As I have said before, we are not going to fix it in a single year, but I think that we have got to make that a high priority in our collective agenda. It is not a partisan set of issues. All of us have a common interest in making this thing work better for the American people.

And I will feel as strongly about that as Assistant Secretary as I have felt as Commissioner. And, given the cooperation to date, I believe that collectively we will make a great deal of progress.

The CHAIRMAN. I walked into a fellows office yesterday. He had checks, bills, all over his desk, on the floor under the desk, off on the side. I could not imagine what in the world had happened. I said, what is going on? He said, I am working on my tax return.

I helped draft these laws, and when we get through with them they are all so complicated, I sure do not try to do my tax return. So, there is a lot to be done in that regard, and I am very hopeful that you will push to assist in it.

Mr. GOLDBERG. Yes, sir.

The CHAIRMAN. Are there any further questions or comments?

Senator DANFORTH. Can I just ask one question? When the President announced his proposal to make the R&D credit permanent, it is not creditable against the Alternative Minimum Tax under the Presidents proposal.

And it is my understanding that a large number of corporations—I think more than half—now pay their taxes under the Alternative Minimum Tax, not under the regular tax schedule.

And is it a problem—I mean, obviously I am not asking you during your confirmation hearing to critique the President's proposal, but just looking at the Tax Code and the workings of the Alternative Minimum Tax and the rest of the Tax Code, and looking at whatever the prospects are for developing efforts to try to improve the economy, is it true that with respect to that or the investment credit or whatever we do, that we really have to be careful in making sure that we do not sort of think we are doing a great thing, but actually the corporations are paying taxes under the AMT, not under the kind of tax program that we are trying to put into place?

Mr. GOLDBERG. Senator, we have had a newly-invigorated minimum tax since 1986, as you well know. I think that as we go down the road, we are all learning questions we ought to be asking.

For example, in the administration's proposal, the investment tax allowance, the temporary incentive, is available for all tax purposes. So, that is not covered by the minimum tax at all. Secondly, the administration proposes to eliminate the depreciation component from the adjusted current earnings piece of the minimum tax.

So, we are sensitive to those kinds of issues, and I think that all of us need to look at the real world impact of how the minimum tax is functioning.

Senator DANFORTH. But what percentage of corporate taxpayers are, in fact, paying their tax under the AM, do you know?

Mr. GOLDBERG. I believe it is somewhere between 40 and 50 percent.

Senator DANFORTH. I thought it was over 50 percent.

Mr. GOLDBERG. I can get those numbers for you. I do not have them.

Senator DANFORTH. Does that strike you as odd?

Mr. GOLDBERG. I would really have to get behind the numbers to understand what is going on.

Senator DANFORTH. All right. Thank you.

The CHAIRMAN. Commissioner, I had not given you an opportunity to make a statement. If there is anything you would like to comment on, we would be happy to have it. Otherwise, we will take your statement in its entirety for the record.

STATEMENT OF FRED T. GOLDBERG, JR., NOMINEE FOR ASSISTANT SECRETARY OF THE TREASURY FOR TAX POLICY

Mr. GOLDBERG. I will submit my statement for the record, Mr. Chairman. It was really principally an acknowledgement of the point that you made at the outset. I have, in some sense, very mixed emotions about this.

I have great love and affection for the Internal Revenue Service, and I believe that collectively all of us have—if you will forgive me—started a revolution.

I think we will reform tax administration during the 1990's, and I think the work of your committee in the area of safeguarding taxpayer rights, in the area of tax simplification, and the myriad efforts that 120,000 IRS employees have been making has irrevocably sent us down a road to transform a system. It has been fun to be there, and I hate to leave.

But I am looking forward at what is to come. We all have a great deal to accomplish this year, and the road will not be easy.

I simply want to say that I am committed to dealing with each of you and your colleagues openly and candidly, with a great desire to listen, a desire to learn, and a desire to work together cooperatively and constructively.

In what, hopefully, will be one of the last acts as Commissioner, I want to thank each of you for what I think you have done for our system of tax administration. Thank you.

Senator PRYOR. Mr. Goldberg, the Chairman has just stated that you have roughly 120,000 employees. How many of those employees does the Commissioner get to hire and bring on board?

Mr. GOLDBERG. The Commissioner, by tradition, has three or four personal assistants.

Senator PRYOR. So, three or four people out of 120,000 are hired by the Commissioner.

Mr. GOLDBERG. Yes, sir.

Senator PRYOR. And how long was your tenure as Commissioner, Mr. Goldberg?

Mr. GOLDBERG. Two-and-a-half years.

Senator PRYOR. The average, Mr. Chairman, is about two years, 4 months for our IRS Commissioners.

I am not saying it should be a lifetime job, but I do think that we should put ideas on the table someday to see if there is not a way to have a person that has a longer experience there.

Because we get these very fine people like Mr. Goldberg, and like Mr. Larry Gibbs, and others, who come in and stay about 2, or 2½ years and then are gone. I do not have the solution for it now, but I think someday we had better explore it.

Mr. GOLDBERG. Senator, I think continuity is one of the most important issues. When you are looking to a ten-year modernization effort, how do you deal with Commissioners who roll in and out every 2 years? And I think there are a couple of answers. And I think one of the answers is the General Accounting Office.

Another answer is you and your colleagues on the Oversight Committee; I think the efforts we have made through the National Academy of Sciences to force continuity for a designed master plan.

But I think continuity in tax administration is one of the most important issues we face as a government, because you are running a big business, and you do not change a business in 6 months, or 9 months, and I share your concern.

But I am absolutely confident that the leadership in that agency now and, assuming her confirmation, Shirley Peterson will deliver on exactly the kind of continuity you are looking for.

Senator PRYOR. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Our next person to be considered is Mrs. Shirley Peterson. If you would come forward and be seated, please.

Mrs. Shirley Peterson has been nominated by the President to fill the now vacant position of Commissioner of Internal Revenue.

Mrs. Peterson, if Ann Landers was correct in anticipating the number of phone calls to the IRS after Mr. Goldberg's letter, I expect you are going to find your duties on the fast-track, too.

You come before our committee with a great deal of tax experience, most recently as the Assistant Attorney General for the Tax Division at the U.S. Department of Justice. You have also distinguished yourself as a tax attorney in the private sector from 1969 to 1989. For those not familiar with the Justice Department's Tax Division, their primary client, of course, is the IRS. I suspect that your work as Assistant Attorney General has well prepared you for the challenges that you will be facing as Commissioner of Internal Revenue.

The Office of the Commissioner has been with us now for 130 years and the responsibilities of overseeing the administration and the enforcement of the Internal Revenue laws has grown exponentially since the first enactment. You will be the first woman to assume this post, and I look forward to your bringing your expertise and wisdom to the office.

As you are well aware, the source of most money collected by the IRS is the individual income tax and we will be looking for your guidance in ensuring the Service's integrity, its efficiency, its effectiveness, and its fairness is at its highest level as your agency handles the taxpayer's money. Are there comments?

Senator DANFORTH. No, Mr. Chairman.

The CHAIRMAN. Then I would be delighted to now hear from the distinguished Congresswoman, Congresswoman Morella, if you want to introduce the witness.

**STATEMENT OF HON. CONSTANCE A. MORELLA, A U.S.
REPRESENTATIVE FROM MARYLAND**

Congresswoman MORELLA. Thank you. I am delighted to be over here in this House, Mr. Chairman, and the distinguished members of your committee. Senator Danforth and Senator Pryor, I hope you are feeling well.

Senator PRYOR. Thank you.

Congresswoman MORELLA. I am particularly pleased to be here to say some good things about a constituent who is a good person, who is going to be replacing a good person in the vitally important Internal Revenue Service. She will do a terrific job.

As you have already mentioned, Mr. Chairman, Shirley Peterson comes to the nomination hearing as the Assistant Attorney General in the Tax Division of the Department of Justice, and the Tax Division represents the United States and its officers in civil tax litigation arising under the Internal Revenue laws in all courts, except the U.S. Tax Court, and it supervises and directly conducts criminal litigation arising under the Internal Revenue laws.

And then, just elaborating on her very prominent career, during her tenure there at the Department of Justice, Mrs. Peterson chaired the Attorney General's Task Force on Compensation;

served as Vice Chairperson of the Attorney General's Committee on Attorney Recruitment and Retention.

She also served as the department's Vice Chairperson for the 1990 Combined Federal Campaign. She is a member of the Justice Review Board, served on the Incentive Awards Board, John Marshall Panel, for the Attorney Generals 39th and 40th Annual Awards Ceremonies; appointed by the President to represent the Attorney General and the Board of Directors of the Federal Prison Industries, Inc. That is a great deal for her to have done during her tenure.

And, as you mentioned, Mr. Chairman, prior to her joining the Justice Department, Shirley Peterson had been a partner in the Washington law firm of Steptoe & Johnson, where she practiced for 20 years, and her practice concentrated predominantly on tax law, with particular emphasis on tax litigation and Federal Estate and Gift Taxation, Estate Planning Administration.

She has been active in the Tax Section of the American Bar Association, and in the American College of Probate Counsel and she has chaired major committees in both organizations.

She has the experience, she has the enthusiasm; indeed, she has the character, she has the commitment, and she has the compassion to serve us, to serve our constituents, and to serve our country and to make us exceedingly proud.

So, it is my honor and privilege to be here before this committee to introduce to you somebody that you do know, whom I believe will serve us very well if confirmed. Shirley Peterson.

The CHAIRMAN. Thank you, Congresswoman. We are very pleased to have your strong recommendation of the nominee. I know you have other responsibilities. There is no necessity for you to stay, unless you would like to.

Congresswoman MORELLA. And she will, as you mentioned, if confirmed, be the first woman to hold that post.

The CHAIRMAN. Thank you very much.

Mrs. Peterson, in your job as the head of the Tax Division at the Justice Department, you were in an area where you had first-hand experience with those issues that seemed to cause the most litigation for the government.

Now, drawing on that kind of experience, do you have any suggestions of what we might do to reduce litigation through legislation; are there any chronic problems that we, as legislators, could address to try to ease that or to cut back on it?

STATEMENT OF SHIRLEY D. PETERSON, NOMINEE FOR COMMISSIONER OF THE INTERNAL REVENUE SERVICE

Mrs. PETERSON. Mr. Chairman, I share the view that Fred Goldberg has held for so long and that you heard him express so eloquently just a few minutes ago. I think that the best thing that this committee can do and that Congress can do for the American taxpaying public is to simplify the law.

And I am very reassured to know that someone like Fred Goldberg will hopefully be sitting in the position of Assistant Secretary of Tax Policy, and will be working with all of you towards that goal.

To the extent that we can simplify the law, we reduce taxpayer burden, we make it easier for people to comply, we reduce their level of frustration. I think that is the single most important thing that any of us can do to reduce litigation. And I will be happy to work with all of you to make simplification happen.

The CHAIRMAN. You know, the Commissioner's job—Senator Pryor was talking about the number of employees in that. And one of the things you have here is the management responsibilities. It is the equivalent of a very large corporation. What kind of management experience do you bring to the job?

Mrs. PETERSON. When I was in private practice, I was in one of the large law firms here in Washington, and obviously, managing a law firm is a very minor thing compared to managing the Internal Revenue Service.

The CHAIRMAN. Did you manage the law firm?

Mrs. PETERSON. I did not personally manage it, however, I was about to say that I served on every major management committee of the law firm.

I served on the executive committee; the partners compensation committee; the partners selection committee. Steptoe is a very democratic firm, and it is managed by committees. But I served on every one of its major management committees. I also served as the manager—

The CHAIRMAN. Is that a big "D" or a small "d?"

Mrs. PETERSON. A small "d."

The CHAIRMAN. All right.

Mrs. PETERSON. I also served as the manager of the firm's corporate and tax practice for a period of time. And then when I came to the Tax Division at the Department of Justice, that is when I really had the opportunity, Senator, to develop management skills.

And, again, the Tax Division is small by comparison to the Internal Revenue Service. But I think that I went a long way there to learn and exercise management skills.

I believe that, if you ask my colleagues in the Department of Justice, they will tell you that the Tax Division is regarded as a model of good management within the Department of Justice. So, I think the Commissioner's job is one that I can do, and I look forward to the challenge.

The CHAIRMAN. I defer to my colleague for any comments.

Senator PRYOR. Thank you, Mr. Chairman.

I was visiting with a friend of mine recently about you, Mrs. Peterson, and he had the kindest of things to say, and was very laudatory of you. He also said something that I want to pursue a little bit. He said you are a litigator.

Now, you talked about simplification that we needed with tax laws. But let us say we do not simplify the laws. We try to, but it seems like every time we do we make them more complex and complicated, just like the 600 pages of regulations that Treasury put out in September on pensions. We do not do a very good job in simplification.

Let us say if we do not simplify the law, how would you reduce litigation?

Mrs. PETERSON. As you know, the Vice President has been active in this area, and the President recently signed an executive order with regard to civil justice reform.

The administration is attempting to find ways to control the cost and complexity of litigation, trying to get their hands around discovery and that sort of thing.

So, I assume that you will be hearing more about that in coming months, and that may hold some promise for helping to control the complexity of litigation.

Senator PRYOR. Well, I do not know if a three-month moratorium is going to be the answer. I think that we will look at that to see how that is implemented, if, in fact, it is implemented.

We had a case recently before the Oversight Committee of the IRS, which I Chair—and by the way, when the Democrats took control of the Senate—when was that, 1987, or whenever it was—I received a telephone call one night in Little Rock from Chairman Bentsen.

And he said, I have got some good news, and some bad news. I said, well, give it to me. He said, the good news is, you are going to be chairman of a subcommittee. I said, great.

He said, the bad news is, you are going to Chair the Oversight Committee of the Internal Revenue Service. So, it has been an exciting experience for me, a learning experience, from the subcommittee chairmanship.

With the Chairman's help, we developed together the Taxpayer's Bill of Rights, which became the law of the land, which encourages negotiation, which encourages settlement.

But the IRS did not have the spirit of this new law when they went after a man—one of Senator Bentsen's constituents down in El Paso named Ramon Partillo. He owed about \$8,000 to the IRS.

It was estimated at the hearings that the IRS spent over \$100,000 trying to collect this. The case went all the way to the 5th Circuit Court of Appeals, almost to the U.S. Supreme Court.

To this date, I do not think he has ever gotten his money back. I think that many times this huge bureaucracy of 120,000 people runs over small people. It runs over the small taxpayer.

The Chairman has just noted that most of the taxes are paid by the individual taxpayers. It is not the corporations, it is not IBM, et cetera; it is those small individuals out there. Many times they have not gotten a very good shake from the tax collector.

And you come from a firm, in reading your biography, and you have many things to be very proud of in your career. But you come from a firm, it appears to me—and correct me if I am wrong—which might be tending towards representing corporations and large business. And I am wondering if you have ever represented any small taxpayers along the way?

Mrs. PETERSON. Senator Pryor, yes; many, many taxpayers. In fact, you might be amused to know that for many years I had a large individual practice, and, in fact, some of my colleagues in the firm used to be very jealous because I actually met with clients.

They said, Shirley, you get to deal with people, you are so lucky. But I would like to come back and comment on something you said, Senator Pryor.

I am aware that you are Chairman of the Subcommittee on Oversight, and I wanted to tell you that I am looking forward very much, if confirmed, to working with you in that regard.

It is my impression that that subcommittee has been very helpful, along with this committee, in helping the Internal Revenue Service to turn the corner, turn over a new leaf, if you will.

I think Fred Goldberg has done an outstanding job as the Commissioner. He was fantastic. He is a man of vision who has charted a new course for the Internal Revenue Service, and it is a course that I will endeavor to follow if I am confirmed. And I would look forward to working with you on the Oversight Committee.

And to follow up on the comment that you made about the individual taxpayer, I really believe that much progress can be made through the management of the Internal Revenue Service, through identifying problems in the administration of the tax law, through the help of people like you and the GAO. It is not always necessary to legislate.

I would hope that we can resolve some of the problems administratively within the Service when they are brought to our attention. The one thing I can tell you is: if I know a problem exists, we will do everything we can to do to fix it within the Service.

Senator PRYOR. Mr. Chairman, if I may, I know I am taking too long, but I have just two pleas. I am not going to ask a question, but I just have two requests, respectfully.

One is that you would look at the Taxpayer's Bill of Rights 2. We call it T2. I am not asking you at this point to say whether you are for or against it.

Mrs. PETERSON. Right.

Senator PRYOR. Look at it. Look at it carefully.

Mrs. PETERSON. I will do that, Senator.

Senator PRYOR. Let us discuss this section by section. Let us see if there are areas that you might not support us on, maybe we have gone overboard in some of the sections.

I would like very much to work with you, and not against you. I had the bad experience 2 or 3 years ago of being opposed every step of the way by the Internal Revenue Service on the First Taxpayers Bill of Rights. But let us talk about that when we can.

Mrs. PETERSON. I would hope to have the opportunity to work with you, as well.

Senator PRYOR. And we will. My second request is that you not stay in Washington all the time. Do not stay here and receive the information from four or five people that you see in your daily life in your office. It is terribly easy, it is awfully comfortable; people looking after you, and driving you, and waiting on you, and whatever. Go out, if you would—I plead with you—to some of these district offices.

Sit there and watch these poor taxpayers try to meet the law of this land and meet the requirements of the laws and regulations that we pass up here and get passed on to the poor taxpayers.

Sit there and watch their plight, because people today are confused. I am like Chairman Bentsen. I would not begin to fill out my income tax. I would not know where to start. And please go out and see what is really troubling people about this tax system.

Mrs. PETERSON. Senator Pryor, that is a commitment that I am willing to make to you here today. In fact, I have learned from my experience in the Justice Department just how valuable it is to do that very thing.

During the past 3 years as Assistant Attorney General, I have traveled all over the country meeting with people—in fact, Internal Revenue Service; people from the Office of Chief Counsel, working together with them on various initiatives. And I agree with you that it is extremely valuable to get out into the field, and I assure you I will do so.

Senator PRYOR. Thank you, Ms. Peterson.

The CHAIRMAN. Thank you very much. And I want to say that Senator Pryor has done an extraordinarily good job in that position. And I am delighted to have—I saddled him with it, and I am most appreciative.

Senator PRYOR. Thank you, sir.

The CHAIRMAN. We will take your entire statement in the record.

[The prepared statement of Shirley Peterson appears in the appendix.]

Mrs. PETERSON. Thank you, sir.

The CHAIRMAN. We are very pleased to have you.

[Whereupon, the hearing was concluded at 11:05 a.m.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED

PREPARED STATEMENT OF SENATOR DAVE DURENBERGER

I am pleased that the Committee has the opportunity to consider the nomination of Fred Goldberg to become Assistant Secretary of the Treasury for Tax Policy. From my experience with Fred, I know that he is a man of action and ideals. In his service at the Internal Revenue Service, he has tackled a difficult and often, unenviable job with grace and competence. I wish him great success in his new post.

THE WHITE HOUSE

OFFICE OF THE PRESS SECRETARY,
January 24, 1992.

The President today announced his intention to nominate Fred T. Goldberg, Jr., of Missouri, to be an Assistant Secretary of the Treasury for Tax Policy. He would succeed Kenneth W. Gideon.

Since 1989, Mr. Goldberg has served as Commissioner of the Internal Revenue Service at the United States Department of Treasury in Washington, D.C. Prior to this, Mr. Goldberg served as a Partner with the law firm of Skadden, Arps, Slate, Meagher & Flom, 1986-1989; Chief Counsel for the Internal Revenue Service, 1984-1986; and a Partner with the law firm of Latham, Watkins & Hills, 1962-1984. From 1961-1982, Mr. Goldberg served as Assistant to the Commissioner of the Internal Revenue Service.

Mr. Goldberg was graduated from Yale University (B.A., 1969; J.D., 1973). He was born October 15, 1947 in St. Louis, Missouri. Mr. Goldberg is married, has five children and resides in Potomac, Maryland.

PREPARED STATEMENT OF SHIRLEY D. PETERSON

Mr. Chairman, it is an honor to appear before you today as the President's nominee for Commissioner of Internal Revenue. I want to thank you and the other members of the Committee for taking time from your busy schedules to be present, and I am grateful to you for scheduling this hearing so promptly. I also wish to thank Secretary Brady for his support and the President for nominating me.

Before responding to your questions, I would like to say a few words about the man who has just preceded me before this Committee. Fred Goldberg has served with great distinction as Commissioner. I have no doubt that history will record him as a man of vision who charted a new course for the Internal Revenue Service. It is a course which I, if confirmed, will endeavor to follow. I share his views about the importance of simplification, about the need to reduce taxpayer burden, and about the imperative that the system should work fairly and efficiently for all of our citizens. And, like him, I am absolutely committed to the Service's ongoing effort to maintain and strengthen voluntary compliance—which is the cornerstone of the most successful system of taxation in the world.

I have had the honor of serving as the Assistant Attorney General in charge of the Tax Division since May, 1989. During my nearly three years in this position, I have had the privilege of working with many of the fine public servants who administer and enforce the tax laws. I have the greatest respect and admiration for those employees, who have dedicated their professional lives to making the system work

for all of us. With your hoped-for blessing, I look forward to joining the fine group of dedicated public servants at the Internal Revenue Service. I am eager to undertake this new challenge and assure you that, if I am confirmed, the taxpayers will get their "money's worth" from this public servant.

