

**COMMITTEE ON FINANCE**  
**NEWS RELEASE**



**Max Baucus, Chairman**

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**Hearing Statement of Senator Max Baucus (D-Mont.)  
Regarding the Nomination of Douglas Shulman  
To Be Commissioner of Internal Revenue  
(as prepared)**

Thomas Jefferson said: “Taxation is . . . the most difficult function of government.”

Today, we consider the nomination of Doug Shulman to carry out that job. In that job, he will face many difficulties. But each difficulty is also an opportunity.

Let me tick off a few of the difficulties awaiting him: the tax gap, improving customer service at IRS, IRS’s outdated computers, the challenges of a global economy, an aging IRS workforce, fundamental tax reform, and implementing stimulus this year.

Mr. Shulman, you have your work cut out for you. Good luck!

First, the tax gap. That’s the difference between the taxes legally owed and the taxes paid on time. It’s estimated to be at least \$345 billion a year. Former IRS Commissioner Charles Rossotti called this the “free rider tax.” That’s because those who don’t comply with our nation’s tax laws ride on the backs of those who do. The IRS National Taxpayer Advocate says that the tax gap amounts to \$2,600 in additional burden for each honest American taxpayer.

Last year, I insisted that Treasury and the IRS develop a comprehensive and credible plan to reduce the tax gap — a plan with baselines, timelines, and measures. They delivered the plan in August. I intend to hold Mr. Shulman accountable for implementing the plan and regularly keeping me apprised of his progress.

Second: customer service. Providing top-notch customer service must be a priority for the IRS. Many of our tax laws are complex and difficult to understand. I call on Mr. Shulman to follow through on the IRS’s Taxpayer Assistance Blueprint. He needs to ensure that taxpayers receive the service that they deserve.

Third: IRS computers. Mr. Shulman will be faced with a major overhaul of IRS’s information technology. IRS still uses computer systems built in the 1960s. Congress gave IRS the money to build new systems. Sadly, the IRS was not a good steward of the money.

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So the IRS's information technology is outdated. This limits the agency's ability to process information or detect scams. And taxpayers who are accustomed to doing all their business on-line should be able to meet their tax obligations electronically, without additional cost.

Fourth, an increasingly global economy affects our nation's tax system, as well. The IRS needs to keep pace with multinational corporations, sophisticated financial products, and offshore tax schemes.

Fifth, the IRS workforce is aging. Skilled public servants who have dedicated their professional careers to tax administration are retiring in increasing numbers. Mr. Shulman needs to act aggressively to retain skilled technicians and hire high-quality workers to replace those who retire.

Sixth: tax reform. This year, I intend to hold a series of hearings to explore options for fundamental reform. As Congress works on changes to our tax laws, I expect Mr. Shulman's commitment to help us to formulate changes and to accurately implement those changes.

Seventh, Congress will be enacting a stimulus package soon. An IRS review of the 2001 rebate program found that its success was due in large part on the commitment of the Commissioner to ensure that the agency devoted adequate resources to the rebate program. I expect Mr. Shulman to provide his full support to successfully administering a stimulus payment program that will boost our nation's economy.

Those are just some of the difficulties.

Mr. Shulman, thank you for agreeing to serve. Thank you for taking on what Jefferson called "the most difficult function of government." And good luck making each of those difficulties into an opportunity.

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