

**NOMINATIONS OF WILLIAM WILKINS,
DANIEL TANGHERLINI, ROSA GUMATAOTAO RIOS,
AND CARMEN R. NAZARIO**

HEARING

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

ON THE

NOMINATIONS OF

WILLIAM WILKINS, TO BE CHIEF COUNSEL, INTERNAL REVENUE SERVICE AND AN ASSISTANT GENERAL COUNSEL, DEPARTMENT OF THE TREASURY; DANIEL TANGHERLINI, TO BE ASSISTANT SECRETARY OF TREASURY FOR MANAGEMENT AND CHIEF FINANCIAL OFFICER, DEPARTMENT OF THE TREASURY; ROSA GUMATAOTAO RIOS, TO BE TREASURER OF THE UNITED STATES, DEPARTMENT OF THE TREASURY; AND CARMEN R. NAZARIO, TO BE ASSISTANT SECRETARY OF HEALTH FOR CHILDREN AND FAMILIES, DEPARTMENT OF HEALTH AND HUMAN SERVICES

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JULY 14, 2009
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CHILDREN AND FAMILIES, DEPARTMENT OF
HEALTH AND HUMAN SERVICES**

TUESDAY, JULY 14, 2009

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

The hearing was convened, pursuant to notice, at 10:06 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Max Baucus (chairman of the committee) presiding.

Present: Senators Menendez, Carper, and Grassley.

Also present: Democratic Staff: Bill Dauster, Deputy Staff Director and General Counsel; Ayesha Khanna, International Trade Counsel; Rory Murphy, International Trade Analyst; Diedra Henry-Spires, Professional Staff; and Mary Baker, Detailee. Republican Staff: Becky Shipp, Health Policy Advisor; Theresa Pattara, Tax Counsel; Tony Coughlan, Tax Counsel; and Nick Wyatt, Tax Staff Assistant.

**OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR
FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE**

The CHAIRMAN. The committee will come to order.

Speaker Sam Rayburn said, "You cannot be a leader and ask other people to follow you, unless you know how to follow, too."

We have before us four people who have been nominated by President Obama to help lead the government. It is imperative that each one of you lead, but remember, you cannot lead alone; you

must lead with the help of those around you. And as you lead, you must follow the guidance of those whom you serve. We are all just hired hands. The American people are our bosses, and, as you lead, you must follow the guidance of the American people.

Mr. Wilkins, you have been nominated to be Chief Counsel of the Internal Revenue Service. In this role, you will not lead alone; rather, you will lead with the help of more than 1,400 attorneys in that office, and you will lead the IRS on critical issues. You will have influence over the resolution of tax issues that affect individuals, businesses, and tax-exempt organizations.

Effective tax administration requires equitable treatment of all taxpayers. Taxpayers have a right to expect consistency and certainty in the way that tax laws are interpreted and applied. Taxpayers have a right to know that issues will be addressed expeditiously within the bounds of IRS authority. Issues must not be allowed to fester for years, just because no one is willing to take a position.

Taxpayers have a right to expect the IRS to act tenaciously to shut down scams and schemes that undermine the health of a voluntary tax system. A \$345-billion annual tax gap is simply not acceptable. I want to underline that. It means a lot to me, solving and closing that gap.

Mr. Wilkins, you have an excellent reputation that was demonstrated by a selection as a tax section chair of the American Bar Association in 2008. Your distinguished career also includes lengthy service with the Senate Finance Committee, culminating in your role as Staff Director and Chief Counsel. The Nation will rely on your experience, expertise, and leadership to provide timely, fair, and well-reasoned legal analysis of the important issues facing our Nation.

And, as you lead, you must take your guidance from the people who are relying on you, for the legal guidance that you provide will affect every American.

Mr. Tangherlini, you are nominated to be the Assistant Secretary of Treasury for Management and the Treasury's Chief Financial Officer. In this role, you will not lead alone. Rather, you will lead with the help of experts throughout the Department, and in this role you will help to ensure the quality of the Treasury Department at every turn.

You will provide primary policy advice during the development of Treasury's budget. Adequate funding there will ensure that Treasury can help to guide us out of these difficult economic times. It will allow IRS to provide top-notch taxpayer services and to bring the IRS up to the 21st century in computers and technology.

I commend your long history of public service at the Office of Management and Budget, the Department of Transportation, and most recently, the District of Columbia as a DC City Administrator and Deputy Mayor.

I appreciate your willingness to take on this important role at Treasury. The Nation will be relying on your experience, your expertise, and leadership to be a good steward of taxpayers' dollars. And, as you lead, you must also take your guidance from those taxpayers, for the policies that you further will also affect each American.

Ms. Rios, you are nominated to be the U.S. Treasurer. In this role, you will not lead alone. Rather, you will lead with the help of folks at the Bureau of Engraving and Printing, as well as the U.S. Mint. You will lead in a position that touches every American. The Treasurer oversees our Nation's currency, responsibilities for the Bureau of Engraving and Printing, and the U.S. Mint.

The U.S. Savings Bond program also falls under the aegis of the Treasurer, and your signature will appear on all paper currency printed during your tenure. I will be looking for it. [Laughter.]

Your distinguished career in municipal economic development demonstrates a commitment to sound fiscal policy that will serve you well in your new position.

The Nation is relying on your experience, your expertise, your leadership to protect our money supply and promote responsible savings policies. And, as you lead, you must take your guidance from the American people, for the decisions you make will also affect each American.

Ms. Nazario, you are nominated to be the Assistant Secretary for Children and Families. In this role, you too, will not lead alone. Rather, you will lead alongside the many Americans who dedicate themselves to bettering the lives of our under-served children and families.

In your 40-year career, you have shown your ability to lead. Your career began as a child welfare case worker in 1968, and you have been working for children and for vulnerable families ever since. You have served as a Principal Deputy Assistant Secretary for the Administration for Children and Families during the Clinton administration, and you have run departments serving children and families in Virginia, in Delaware, and in Puerto Rico.

We look forward to working with you to implement the Fostering Connections in Increasing Adoptions Act that passed through this committee and was signed into law last year. That means a lot to me, that bill.

We must also reauthorize the Temporary Assistance to Needy Families program, otherwise know as TANF, and we must work on the child care development and social services block grants. The TANF bill will provide opportunities to improve the safety net and improve sustainable employment for folks trying to support families. It also presents the opportunity to look at related programs that serve children, like child support enforcement.

And, though we made great strides last year on work on child welfare, our work is not done, far from done. We must also strive to ensure that children need not enter the welfare system. We must also provide solutions for those children who do enter foster care.

Ms. Nazario, the Nation's children and families rely on your experience, your expertise, and your leadership. You have demonstrated you can lead, and, as you lead, you must take your guidance from those worthy people whom you will serve, for the decisions that you make will affect not only the children and families of this generation, but those of generations to come.

You have all been chosen to lead, all four of you, but, as you lead, you do not lead alone, rather, you lead by following the guidance

of those whom you serve, and together you will then achieve the worthy goals of the positions to which you have been nominated. Senator Grassley?

**OPENING STATEMENT OF HON. CHUCK GRASSLEY,
A U.S. SENATOR FROM IOWA**

Senator GRASSLEY. Thank you, Mr. Chairman.

Congratulations to all of you for your nominations. You see I arrived late, and I will be going in just a little while because I am across the hall at the Sotomayor hearings, and so I will not be with you very long. I hope you will not take that personally. I usually attend these meetings very regularly and stay with them. And I thank the chairman for his understanding of that as well.

Mr. Wilkins, in reviewing your varied experience, I note that you rose from assistant to the accountant of a Harvard book store, to Staff Director and Chief Tax Counsel of this committee, and then you have been in private practice for a long time. I hope that you have carried with you a sense of our priorities, and we sometimes see things differently than people in the executive branch of government.

And I have also noted that you have experience working with tax-exempt organizations, and I think you know about my interest in the tax-exempt sector and will continue to work with me to ensure our tax laws are applied in an adequate and effective way.

Mr. Tangherlini, you will need all of your management experiences to succeed in the Treasury Department. While many of your challenges will not appear on the front pages of our national newspapers or the Sunday talk shows, they are still very serious.

Information and technology management at the IRS is enough to take up a whole career, but your additional challenges will include responding to the expected retirement of senior personnel at the IRS and ensuring that the entire Treasury Department has the resources to operate in an environment where the Department is taking on new responsibilities because of this economic crisis that we are in.

Ms. Rios, in your written testimony, you said that you appreciate the importance of financial education and financial literacy. I will be interested in knowing how you believe the government can improve the lives of people who do not have the resources or information to make good financial decisions for themselves.

And finally, we hear from Carmen Nazario, nominated as the Assistant Secretary for Children and Families at HHS. Thank you for appearing before the Senate Finance Committee. If confirmed, you face a number of important challenges.

You will oversee the implementation of the Fostering Connections to Success and Increasing Adoptions Act of last year. This legislation has been characterized as the most significant reform in the child welfare system in over a decade because it established a kinship-guardianship assistance for children, established a State option to extend foster care services for children up to age 21, and made a number of key improvements in the Federal adoption programs.

Senator Baucus and I have a history of accomplishing important and far-reaching improvements to the child welfare system. If con-

firmed, I hope to work with you to further improve child welfare for over 500,000 children who are in foster care and the thousands more who will interact with our child welfare system.

Most agree that the current welfare financing system is outdated and the priorities are misdirected. Instead of focusing the majority of child welfare funding on strengthening and preserving families and preventing abuse and neglect, the vast majority of child welfare funding is directed at the least desirable outcome: serving children in foster care. I look forward to working on a bipartisan basis to address child welfare financing.

I am also hopeful that the traditionally bipartisan approach that we take towards child welfare will inform what may be your most daunting challenge, if confirmed. Of course, I mean, the reauthorization of the TANF program, otherwise referred to as Welfare Reform.

In 1996, Welfare Reform was passed by a Republican Congress and signed by a Democratic President. Despite both sides claiming credit for declining caseloads, attempts to reauthorize TANF 2002 through 2005 were extremely challenging. I am hopeful, then, that the debate of welfare reauthorization will be different this time. I think that it can be, if we focus on the changing demographics of the welfare caseload.

Historically, the welfare caseload had been comprised of a family headed by a single parent who is unemployed, but able to work. Over time, that has changed. Increasingly, the welfare caseload is consisting of so-called child-only cases. These are cases where a child is either living with a parent who is ineligible for welfare or a child who is living with a non-parental caretaker, oftentimes a relative. So, as a result, the debate on TANF reauthorization will need to be focused on the relevant needs of the new caseload.

It is not clear to me that these children are best served by placement in child-only welfare cases. Many of them could be better served, in my opinion, through a child welfare agency or through a more formal guardianship arrangement. I am hopeful that the debate over welfare reauthorization can be more appropriately child-focused and that we can work to improve and enhance services for child-only welfare cases.

In addition to Child Welfare and Welfare Reform, if confirmed, you will need to administer a number of other important programs, such as Child Support and Enforcement, the Child Care Block Grant, and others. These programs are also critical to maintaining the social safety net for vulnerable children and families.

Thank you, Mr. Chairman. And I hope each of you will understand if I submit questions in writing to each of you.

Thank you very much.

The CHAIRMAN. Thank you, Senator, very much.

[The questions appear in the appendix.]

The CHAIRMAN. We have four witnesses today, and today's panel begins with Bill Wilkins, who has been nominated to be Chief Counsel of IRS. Next, we will hear from Dan Tangherlini, who has been nominated to be Assistant Secretary of Treasury for Management and Chief Financial Officer. Next, Rosa Rios, nominated to be Treasurer, and finally, we have Carmen Nazario, whom Senator

Carper will introduce. She has been nominated to be Assistant Secretary for Health for Children and Families.

So, why don't we start with you, Senator, and you can introduce Ms. Nazario?

**OPENING STATEMENT OF HON. THOMAS R. CARPER,
A U.S. SENATOR FROM DELAWARE**

Senator CARPER. Thank you very much, Mr. Chairman.

It is just a real treat to be here today to welcome Carmen Nazario to our committee. If you will look at Carmen's resume, it says today she is the Assistant Professor at Inter-American University down in Puerto Rico, where she teaches social policy and coordinates social work practicum at the School of Social Work. That is what she has been doing this year.

What she has done for the past 3 decades before that—4 decades before that—is for me just really awe-inspiring. A great, rich resume that shows from 2003 to 2008 she was the Administrator for the Administration for Children and Families for the Commonwealth of Puerto Rico. She led an agency with 4,000 people on her staff and a budget of some \$220 million.

Prior to that, she ran a big program for the country of Jordan as a Senior Resident Investigator for the Jordan Poverty Alleviation Program, and brings that experience from an international level.

Prior to that, she was a senior official in the Clinton administration as Assistant Commissioner for Childcare and the Administration for Children, Youth, and Families, and later she became the Principal Deputy Assistant Secretary at the Administration for Children and Families. But before that, I had the good fortune as Governor of Delaware, my first term, when we were looking for somebody around the country to be our Secretary of Health and Social Services, we found Carmen Nazario in Virginia, and she was good enough to come to work with us.

I found that—Senator Grassley talked about TANF and welfare reform—she basically ran welfare reform initiatives in Delaware and, through the National Governors Association, helped to do that for the country, worked very closely with the Congress for the Clinton administration in that role.

She believed, as I do, that work should be more than welfare, and, when people go to work, if they need training, education, we will provide that. If they need help in finding a job, we will provide that. If they need help with their health care, we provide that. The idea at the end of the day, though, is to make sure that people are better off because they are working rather than on welfare.

And she ran the toughest department in our State, the Department of Health and Social Services, which was a big job on its own—and I will close with this—helped to coordinate something called the Family Services Cabinet Counsel, which is seven different departments of State government, all focused on strengthening families, and not just welfare reform, but we ran the youth/adolescent pregnancy prevention out of there, State-wide mentoring initiatives, all kinds of stuff, which really is good for families, good for kids.

And I think we are just lucky that the administration said that they would like for her to take on this job that she is here for today, and we are very fortunate that she is willing to do it.

One of the finest people I have ever worked with: Carmen Nazario. It is great to see her. Welcome here today.

The CHAIRMAN. Thank you.

Why don't we then begin with you, Ms. Nazario?

With that wonderful warm introduction, you can lead off here.

STATEMENT OF CARMEN R. NAZARIO, NOMINATED TO BE ASSISTANT SECRETARY OF HEALTH FOR CHILDREN AND FAMILIES, DEPARTMENT OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC

Ms. NAZARIO. Thank you so much, Senator Carper. After that introduction, I am humbled—

The CHAIRMAN. Before you begin, do you want to introduce any family who might be here, because they are all part of the same team?

Ms. NAZARIO. I am delighted to introduce Dr. Félix Matos. He is the president of Hostos Community College in New York. Amelia Liz Engel. She is from the administration. She has been shepherding me through this process. And Amelia Maxfield is an intern at ACF and has been my assistant during the summer months.

The CHAIRMAN. Great. Thank you all very, very much for your assistance.

Ms. NAZARIO. Thank you for being with me today.

The CHAIRMAN. Thank you.

Ms. NAZARIO. I appreciate it.

Senator Baucus, members of the committee, good morning. I am honored to have been selected by President Obama to serve as Assistant Secretary for Children and Families at the Department of Health and Human Services. I am delighted to be here today to discuss my nomination.

The Administration for Children and Families is crucial to the mission of the Department and to the future of our country, ensuring that children and families are protected, particularly in times of economic distress, and providing low-income working families with the support they need to succeed under any economic conditions.

I am thrilled at the opportunity to assist Secretary Sebelius and to lead the Administration for Children and Families in such an important endeavor, and at such an important time.

My career experiences have prepared me for this position, throughout more than 40 years in the field of human services at every level of government, as well as in the private and non-profit sectors. I have learned what works and what does not work, and I welcome the opportunity to bring my experiences to bear upon the important work of ACF.

I served as Principal Deputy Assistant Secretary at the Administration for Children and Families from 1999 to 2001, and have an intimate knowledge of the agency's policies, programs, and services. I have worked in all the program areas of the agency. I have worked successfully with States, counties, cities, tribes, and community service agencies.

I have demonstrated success in working collaboratively and productively with members of both parties, and have proven ability to build consensus, think strategically, and develop institutional capacity for driving change.

I am deeply honored by the President's nomination, and, if confirmed, I will work with Congress to advance and build on the President's priorities, and to ensure that the policies you enact are implemented consistent with congressional intent.

If confirmed, I plan to concentrate on three priority areas.

First, I plan to focus on supporting families to achieve economic success. Providing families with the tools they need to succeed is fundamental to ensuring that low-income working families are full participants in, and contributing members of, our society. This includes a strong focus on prevention efforts, community building, and broad partnerships that include an array of stakeholders.

Second, I believe we must aggressively promote healthy and comprehensive child development. Both President Obama and Secretary Sebelius have said that investing in young children is critical to our future, and I could not agree more. If confirmed, I plan to work collaboratively across sectors to enhance opportunities for children to succeed in school and in life. To succeed in this effort, we need to establish stronger links between the programs within ACF, across HHS and other Federal departments, and with outside agencies and organizations.

Third, I will strive to improve ACF's institutional capacity in order to ensure the Agency is making real differences in the lives of families and children. In doing so, I will work to structure the Agency's operations so it can carry out its mission efficiently and effectively. My vision for ACF is a highly responsive, self-correcting organization that utilizes data, technology, and succession planning to create an agency of the future.

In pursuing these objectives, please understand my deep commitment to maintaining an open dialogue with States, tribes, national organizations, and the grantee and advocacy communities to share ideas, learn from each other, and find common ground wherever possible.

Chairman Baucus and members of the Committee, thank you again for this opportunity. I have confidence that the 1,400 public servants who serve as employees of the Administration for Children and Families are prepared to get the job done for all the families and children we care so much about. If confirmed, I am ready to lead them in that important effort.

I am happy to answer any questions.

The CHAIRMAN. Thank you, very much, Ms. Nazario.

[The prepared statement of Ms. Nazario appears in the appendix.]

The CHAIRMAN. Ms. Rios, you are next. You have the opportunity to introduce friends and family right now.

**STATEMENT OF ROSA GUMATAOTAO RIOS, NOMINATED TO BE
TREASURER OF THE UNITED STATES, DEPARTMENT OF THE
TREASURY, WASHINGTON, DC**

Ms. RIOS. Thank you, Chairman Baucus and members of the Senate Committee on Finance, for the opportunity to be here today regarding my nomination as the Treasurer of the United States.

I am both honored and eager to serve my country during one of the most critical economic milestones in its history, and I am grateful to President Obama and Secretary Geithner for their consideration.

I have had the pleasure of working with the Finance Committee staff, and I look forward to addressing your issues and interests, not just here today, but on an ongoing basis.

If I could just take a few minutes, I would like to introduce my family members who have joined me today. First of all, my Mom, Guadalupe Rios, who courageously raised me and my 8 brothers and sisters as a single parent and who today remains my pillar of strength. My husband and partner of 26 years, Joe Gumataotao, and my brother, Jaime Rios, my sister Ophelia Huck and her son, Tyler.

Finally, my two children, Joey and Brooke. Joey is 13 years old, a 4.0 student and a top athlete in baseball, and is not only on one, but two basketball teams, while receiving the highest grades in his class in both honors social studies and honors algebra. He just finished the school year as the first 7th grader in the school district to be the number-one ranked tennis player among all the grades of both middle schools.

Brooke is 8 years old. She is a fine student who just finished third grade as a member of her student council, the top scorer on her basketball team, and the only girl in the Little League team, skipping two levels and competing among boys, some as much as 3 years older than she is. In addition, she is a nationally recognized competitive tap dancer.

Joey and Brooke are my primary inspirations and the reason why I believe we as a Nation need to move in the right direction to solve not just today's financial crises, but to build tomorrow's dreams.

The CHAIRMAN. Why don't you all stand? We would like to recognize the whole family, everybody. [Applause.]

Ms. RIOS. And we are missing about two-thirds of my family. [Laughter.]

The CHAIRMAN. Among those that you introduced, I can see that there are a couple who could well serve this country in various capacities when they grow a little older.

Ms. RIOS. Thank you.

The CHAIRMAN. You should be very proud of your family, and I know you are.

Ms. RIOS. Thank you. Thank you very much.

I have been fortunate enough to build a career in both the private and public sectors, working on community development issues that have been at the forefront of our current economic challenges.

Previously, during my tenure in working with local governments, I have served as the Director of Economic Development and Redevelopment departments and have worked directly with commu-

nities, businesses, and citizens in the areas of business attraction and retention, job creation, workforce development, and urban revitalization.

Most recently, I have had the distinct pleasure of serving on the Treasury and Federal Reserve transition team. One of my key functions was to serve as the lead staff member for all external stakeholder outreach on behalf of the new administration. I was able to hear first-hand from many different constituencies about their interests, concerns, and recommendations, and on the value of Treasury's and the administration's role in incorporating that feedback into its policies, initiatives, and programs.

I am an economic development practitioner—this is my passion and my calling—and I believe this experience has enabled me to understand and appreciate the importance of financial literacy and education as we move forward. Indeed, times have changed, and the bar of expectation has been raised in terms of resources that are both necessary and timely.

I am a firm believer in government serving as facilitator, not just to provide financial information, but to identify the partners who can also design and provide tools during the planning and implementation process. Public-private partnerships are one of the important paths to our solutions, and with so much at stake, now more than ever, both the inter-agency efforts and the bureaus and offices within Treasury must be much more strategic in the type of information that is disseminated and how resources are accessed.

As an advisor to Secretary Geithner in these areas, should I be confirmed, I would work closely with the Office of Domestic Finance on financial literacy and education, along with our savings bond programs and those stakeholders to carry out the priorities of the Treasury Department and the Obama administration.

In addition, I also look forward to working with the Bureau of Engraving and Printing and the U.S. Mint on behalf of the Secretary on matters relating to our currency and coinage.

Mr. Chairman, I am proud to return to my roots of public service, and I will leverage my background and experience to work closely with my colleagues and constituencies and uphold the duties of the office of Treasurer.

Thank you.

The CHAIRMAN. Thank you. Thank you, Ms. Rios, very much.

[The prepared statement of Ms. Rios appears in the appendix.]

The CHAIRMAN. Next, Mr. Tangherlini.

STATEMENT OF DANIEL TANGHERLINI, NOMINATED TO BE ASSISTANT SECRETARY OF TREASURY FOR MANAGEMENT AND CHIEF FINANCIAL OFFICER, DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Mr. TANGHERLINI. Thank you very much, Senator. I am joined here today by my wonderful wife and partner, Theresa, my sweet 9-year-old younger daughter, Francesca, my great parents-in-law Angelo and Connie Picillo, and someone who has virtually become a member of my family, my assistant Tonya, who has worked with me over 10 years, Tonya Dagett.

The CHAIRMAN. Great. Could you all stand, all of you, including Tonya? [Applause.]

Mr. TANGHERLINI. And I want to say good morning to you, Chairman Baucus, Ranking Member Grassley, distinguished members of the committee and staff.

I am honored to have my nomination come before you today. I am grateful to President Obama and Secretary Geithner for asking me to serve at the Treasury Department at this critical time in our Nation's economy. And I also want to thank your staff for meeting with me last week and discussing management issues and my qualifications for the position for which I have been nominated.

I am particularly grateful to my wife of 14 years, Theresa, and to our children, Cassandra, 12, and Francesca, 9, for their support and willingness to allow me to continue to serve in government with all its attendant sacrifices. Theresa serves in her own way, as a pediatric nurse practitioner in private practice in suburban Virginia. Cassandra and Francesca are committed students, Girl Scouts, and soccer players.

I cannot say that service to our Nation and our people is an idea I came to on my own. My family has a long tradition of public service. My grandfather, who immigrated to this country from Italy, served in the Army during the first world war, was wounded in battle, and later spent his career as a machinist at the Charlestown Navy Yards in Boston, MA.

My father followed him into the Army and fought in the second world war, including the Battle of the Bulge. He later worked on the long-term defense of our Nation by studying inertial guidance systems, both in graduate school and when he worked as a defense contractor.

My uncle worked as a civilian in the Navy for his career. And my brothers both serve: my younger brother as a paramedic-firefighter in San Francisco, and my older brother as a professor at UCLA.

My mother is active in local issues of my home town of Auburn, MA, and my father-in-law is a retired career Federal civil servant.

I came to Washington in 1991, eager to work in government and serve the Nation. As a newly appointed presidential management fellow, I accepted my first job with the Office of Management and Budget as a Budget Preparation Specialist. I stayed at OMB for 6 years, working in a variety of capacities.

After my next job with the U.S. Department of Transportation, I began what would become a 10-year stint with the government of the District of Columbia. Working for Mayor Williams and, later, Mayor Fenty, I had the pleasure to watch the fortunes of our Nation's capital turn nearly full-circle. I also learned the significant role government can play in people's lives.

I bring to this challenge nearly 20 years of experience from not just working in government, but experience in working to change government for the better. In my work as chief financial officer for the Metropolitan Police Department, I learned that strong programmatic financial management is the key to unlocking greatly improved results.

I also gained my first experience as a manager, during which time I learned that all employees have skills and talents that great organizations learn to encourage, support, and leverage.

As Director of the Department of Transportation, I learned that challenges are also opportunities and that high-quality, personalized customer service will go a long way toward building the support and credibility one needs for the hard choices. This lesson was reinforced for me every day when I served as interim general manager at Metro, where I was responsible for safely and efficiently moving more than 1 million people a day to and from their destinations.

Most recently, as City Administrator/Deputy Mayor, I was continually reminded how precious are the resources—human capital, financial, and otherwise—that we are entrusted with by the public, and how powerful our responsibility is to use them as efficiently and as effectively as we can.

I am humbled and honored to have the possibility of serving the Nation in this new capacity, should I be confirmed. If you and your colleagues in the Senate give me the opportunity to serve as Assistant Secretary for Management and Chief Financial Officer for the U.S. Treasury Department, I promise to apply myself fully to the best of my ability to justify your trust and confidence.

I thank you for allowing me to appear before you today and will answer any questions you have.

The CHAIRMAN. Thank you, Mr. Tangherlini.

[The prepared statement of Mr. Tangherlini appears in the appendix.]

The CHAIRMAN. Mr. Wilkins?

STATEMENT OF WILLIAM WILKINS, NOMINATED TO BE CHIEF COUNSEL, INTERNAL REVENUE SERVICE AND AN ASSISTANT GENERAL COUNSEL, DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Mr. WILKINS. Thank you, Chairman Baucus and members of the committee, for the opportunity to appear before you today. I am honored to have been nominated by President Obama to serve as IRS Chief Counsel, and I am grateful to the Commissioner and to Secretary Geithner for recommending me to the President.

I am also pleased to be able to return to this hearing room. I will always treasure my experience of working on this staff and, if I am confirmed, I will certainly value open communications with this committee.

I am also grateful to my family for their support. My wife, Gail, is with me here today. Gail and I have one son, Sam, who is in the class of 2011 at West Point. And, right now, he is at the Academy conducting basic training for the entering class of 2013.

On my own experience and qualifications—

The CHAIRMAN. Ms. Wilkins, why don't you stand so we can recognize you. [Applause.]

Mr. WILKINS. Regarding my own experience and qualifications, I have practiced tax law for 32 years. As I mentioned, I worked on the Finance Committee Democratic staff from 1981 to 1988. I initially worked on the tax staff under Senator Russell Long. Following the 1986 elections and Senator Long's retirement, I was

Staff Director and Chief Counsel under Chairman Lloyd Bentsen. The Tax Reform Act of 1986 was the tax policy highlight of those years, but there were several other significant measures enacted as well.

I have also had the privilege of working in two outstanding private law firms. I have been a partner at my current firm, Wilmer, Cutler, Pickering, Hale, and Dorr, since leaving the Finance Committee staff in 1988. I have advised for-profit and non-profit clients on a broad variety of tax compliance, tax planning, and transactional issues.

I have also been active with the Section of Taxation of the American Bar Association. I am currently chair of the Section, and I served in several other Section offices prior to becoming chair last August.

The Section on Taxation is the country's largest association of tax lawyers, with over 20,000 members. I believe the Section makes a great contribution to the tax system through outstanding legal education, providing support for tax pro bono activities, and thoughtful participation in the tax guidance process. It has been a privilege to lead the Section over the past year, but my term as chair is nearly complete. In any event, I would not hold any Section office if confirmed as a government employee.

The IRS Chief Counsel has significant responsibilities for administration of the tax system. The Office of Chief Counsel has approximately 2,300 employees, including hundreds of lawyers. The Chief Counsel's office provides legal advice to the Commissioner and to the operating divisions of the IRS, it litigates cases in the Tax Court, it works closely with the Department of Justice on tax-related matters before other Federal courts, it formulates overall litigation strategy for the IRS, and writes regulations and other guidance, implementing tax laws enacted by the Congress.

The work of the Chief Counsel's office calls for technical expertise, interpersonal skills in dealing respectfully and effectively with counterparts inside and outside the government, and, above all, sound judgment.

If confirmed, it is my goal to provide the leadership necessary for the Office of Chief Counsel to demonstrate the highest level of skill and judgment in carrying out its important responsibilities.

Thank you again for the opportunity to appear before you today.

The CHAIRMAN. Thank you, Mr. Wilkins.

[The prepared statement of Mr. Wilkins appears in the appendix.]

The CHAIRMAN. I have three obligatory questions that I want to ask now to all four of you. The first question that I ask, I will go down the table and see whether you agree or disagree.

First, is there anything you are aware of in your background that might present a conflict of interest with the duties of the office to which you have been nominated?

Mr. Wilkins?

Mr. WILKINS. No, sir.

The CHAIRMAN. Mr. Tangherlini?

Mr. TANGHERLINI. No, sir.

The CHAIRMAN. Ms. Rios?

Ms. RIOS. No, sir.

The CHAIRMAN. Ms. Nazario?

Ms. NAZARIO. No, Mr. Chairman.

The CHAIRMAN. Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Mr. WILKINS. No, sir.

Mr. TANGHERLINI. No, sir.

Ms. RIOS. No, sir.

Ms. NAZARIO. No, sir.

The CHAIRMAN. Do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly constituted committee of the Congress, if you are confirmed?

Mr. WILKINS. Yes, I agree.

Mr. TANGHERLINI. Yes, I agree.

Ms. RIOS. Yes, I agree.

Ms. NAZARIO. Yes, I agree.

The CHAIRMAN. Thank you. You all are going to do well. [Laughter.]

All right.

Mr. Wilkins, just a couple of questions about the tax gap.

Mr. WILKINS. Yes, sir.

The CHAIRMAN. Your view of how the complexity of the tax law affects the ability of the IRS and the Treasury to issue timely, accurate guidance to taxpayers and employees, and the degree to which the complexity and the delay tends to either encourage this tax gap or makes it difficult to narrow it?

Mr. WILKINS. Well, complexity does interfere with guidance process and the ability of the Treasury and the Office of Chief Counsel to put out timely guidance. Frequency of legislation simply adds to the workload.

In terms of effect on the tax gap, there are parts of the tax gap that deal with educating those who are interested in complying, and, to the extent that guidance can help people who want to comply do so, and do so more easily in a more transparent way, that would be helpful.

The CHAIRMAN. Can you think of some examples that create undue confusion or significant burden on taxpayers, which discourage compliance? Give some examples.

Mr. WILKINS. Well, one area which has been addressed to some extent in prior legislation has to do with people figuring out what the appropriate family unit is that they are filing a return for. So the definition of a child for tax purposes can be surprisingly complex around the grey edges. I think, though, Congress recognized that difficulty some years ago and managed to consolidate multiple definitions into a single definition.

I think other areas where there are multiple tax programs addressing the same policy area offer opportunities for improved compliance and greater taxpayer understanding, and the more taxpayers who are affected by the particular provision, the greater simplification you can achieve through having simpler, and not multiple, approaches to the same issue.

The CHAIRMAN. I urge you to be extremely aggressive, first in dealing with the complexity of the burden issues, but more gen-

erally knowing this tax gap. I estimate, maybe, \$300 or \$400 billion every year of revenue that is not collected, legally owed by taxpayers. Not a change in the law, but legally owed by taxpayers that is not collected.

We are right now trying to figure out how to pay for health care reform. Most of the savings will be through spending cuts, but we also have to raise some revenue, and ironically, coincidentally, the amount we are trying to raise is about that amount at this point. And we are probably going to have to find some other ways in the short run to find that money, but that is just unfair to the rest of the American taxpayers, who have the burden of the additional revenue, when other Americans are not paying their fair share. It is an insult, frankly. It is an outrage, when you think about it.

And I have for years been trying to get the Treasury Department and the IRS to “do something about it,” and they mouth the words but I do not see a lot of action. I see a little, but not a lot.

At one point a year or two ago, I held up an Assistant Treasury Secretary from being confirmed until I got greater assurance from the Treasury Secretary that he would address it. We went around the flagpole many times before it finally got a resolution. They got a commitment, but frankly it was a vacant commitment. It was an empty commitment. It never happened. It just seems to me, if I was in your shoes as Chief Counsel of IRS, I would have to think to myself, holy mackerel, this is wrong. We have to do something about this. It is not right.

You have 1,400 attorneys there, you ought to be able to figure out some way to address it. Now, granted, some of this is political. A lot is because it is a cash economy. It allows independent contractors who use cash, paid cash receipts, payments in cash, to hide or under-report or over-expense or whatnot. But, I urge you to address it.

I see I am getting the attention a little bit of Mr. Tangherlini, who might talk about this, too. He is the Chief Financial Officer over there. I am sure he can help figure out ways to address this tax gap. I do not think we can collect it all. It is going to take a little time, but at least we can put a big dent in it, and it is only fair to the people we serve.

Mr. WILKINS. Thank you. I share your concern, and I appreciate your offer of support as we tangle with——

The CHAIRMAN. You have support——

Mr. WILKINS [continuing]. Difficult public policy and political issues.

The CHAIRMAN. We need some ideas. Because you are there, you are going to have a better idea how to address it. You are on the ground. We are going to be watching from a distance, but it is wrong, and we want you to help address it.

Mr. Tangherlini, the media have reported that the Washington Metro System, WMATA, participated in an abusive tax shelter transaction called the sale-in lease-out, otherwise known as SILO. I am just wondering. You served as interim general manager at the time, so to what extent were you involved in any decisions to invest in it, unwind any of those abusive tax shelters while there, while working in the District Government?

Mr. TANGHERLINI. The various programs that Metro had participated in, actually the last year that they were involved in it was in 2003. I did not join the board of Metro until 2004, and then served as interim general manager for just 9 months in 2006. So, at that time, the agreements and the arrangements had already been made by Metro, and my job, as a board member and then later as general manager, was simply overseeing the current arrangements and current agreements that Metro had.

The CHAIRMAN. But did you participate in any unwinding?

Mr. TANGHERLINI. There was no opportunity for unwinding at the time. It came before the board or was presented by staff at the time. Later on we learned, after I had left, that there were pretty substantial issues with them when I was serving as City Administrator. It became apparent that there were issues as kind of the third party arrangements in those deals began to unwind themselves.

The CHAIRMAN. Ms. Rios, what are your goals as Treasurer? What do you want to accomplish? When you leave, how do you want to be remembered? What do you want to accomplish?

Ms. RIOS. I think I have several priorities, if confirmed as the U.S. Treasurer. I think this is not the Treasury of our forefathers, and I think times have changed significantly, obviously in the last year or so. And I think I would like to see some changes in how it could be much more strategic, and how we disseminate our information.

I think it is important to teach our youth about what it means to budget. I think there is a way that we could institutionalize our financial education starting at the home and, hopefully, in our curriculum. I think that would make a big difference in how we move forward.

So I think there are kind of two parts to this. There is kind of the short term in terms of how we educate the public and hopefully get to some type of behavior modification on perhaps instant gratification is not the number-one priority. Second, we can help institutionalize that moving forward, so that we could preemptively think about how to avoid some of the challenges that we face today.

The CHAIRMAN. That is a great goal, but how do you implement financial literacy education? How do you do it?

Ms. RIOS. Well, I think there are some programs that are currently in place and also being discussed in terms of how to integrate some curriculum within the schools, within the high school level and certainly, hopefully, earlier on. I think it is a great place to start.

And, again, personally I believe in starting at home. If you were to ask either of my kids, whenever they ask for something, the first thing I tell them is, they need to save for that. They need to think about how to get there. And so the goal has started at home for me.

And I think that is a great message to send out, and I think with our implementation plans that include public outreach, some public service announcements, and again, working very closely with the Office of Education, both the other agencies, and also with the private sector, I think there are definitely ways that we can think about how we can be a little bit more aggressive in our outreach.

The CHAIRMAN. Maybe you can partner with Teach for America.
Ms. RIOS. Absolutely.

The CHAIRMAN. I think they are a very good program. They are going to work with kids in lots of very different parts, some of them in all different levels, frankly.

Ms. RIOS. I will definitely look into that. Thank you.

The CHAIRMAN. Ms. Nazario, from 2001 to 2007, the child poverty rate rose from 16.3 percent to 18 percent. Of course, this could happen during the recession, but it occurred during a period of economic growth. So does that indicate we need to change some of our policies relating to disadvantaged families or children? Your thoughts on all of that.

Ms. NAZARIO. Thank you, Senator. I believe that there is a lot that can be done to assist the new generations in preparing them, investing in new generations and the childhood investments, strengthening families, strengthening communities, to learn from the experiences that we are having in recent years. Welfare Reform was very successful with the families that it touched.

We need to be sure that no more families join the ranks and that we reserve the flexibility and maximize the flexibility that is afforded so that we are able to invest in preventing families from joining those ranks and equipping the new generations, the young children, to succeed on their own and prevent them from becoming dependent.

The CHAIRMAN. I have gone way over my time. Senator Menendez is here. One question. If you were limited to only one major change in TANF—when we go to re-authorize it—what would it be? What is the most important change?

Ms. NAZARIO. I think families need to succeed at work, and they also need to have access. They need to have access to be really contributing families of this society to become fully integrated into this society.

The CHAIRMAN. Thank you.

Senator Menendez? Sorry. Take all the time you want. [Laughter.]

Senator MENENDEZ. Thank you, Mr. Chairman. I appreciate that, but I am not going to need that much time.

Mr. Chairman, I want to congratulate all of the nominees and their families. They are an exceptional group of individuals to do some incredibly important jobs.

I am particularly pleased to see two very qualified Latinas among the nominees, particularly in sectors that we do not often see, and so I think we are making great progress in our country. I would love to see if, as part of the confirmation process, Ms. Rios, Joey, would give me some lessons on the tennis court if he is the number-one ranked tennis player.

Ms. RIOS. As long as he loses.

Senator MENENDEZ. No. No. No. [Laughter.]

Boy. No, no. We do not have to lose over that. Just a few lessons would be helpful.

I did want to ask both of your questions. The chairman got to part of what I wanted to ask you, Ms. Rios. And I think this whole issue of financial literacy, based upon what happened in our Nation in the last year and a half, shows that, among issues of regulatory re-

form that we were discussing in the Banking Committee, that we also need consumers to make wise decisions. And so I do hope that as part of—we all talk about financial literacy, but we do not seem to have a point of a spear to try to make financial literacy an integrated part. You mentioned curriculum in getting into our schools, particularly at a younger and younger age. You talked about families, and that is incredibly important.

But that is not just going to happen. We need to focus on this. And I have worked on some issues on financial literacy and would love, when you are confirmed, to work with you, because at the end of the day, if individuals are empowered to understand the nature of the financial engagements in which they are about to enter, they will make better decisions, even in a complex maze.

And so I hope that we are going to look at a wide range of opportunities. Yes, on education, yes, but also with community-based organizations. Also, with engaging the financial sectors, having them understand that there is an obligation, as well.

Looking at our telecommunications industries to be part of this, and the cable industry and others, I just think we need a wide-range approach to get people to have a greater understanding of the financial decisions they make, which often can be consequential in their lives.

Starting with, we had credit card reform, we had all of this oversolicitation of college students, largely not working, for credit cards, and making decisions that may affect their life financially for quite some time. So, incredibly important.

I think that the Treasurer could be one of those entities who really moves us in this way, and I hope we can work with you on that, and that you do make it a priority, in addition to your other duties.

Ms. Nazario, I would love to hear, and I know you are not on the job yet, but I think you have one of the most important jobs, because it involves children and therefore, truly, our future.

Too many children get left behind in this country today; depending upon the happenstance of what station in life you were born into, it can be more challenging. It does not mean that you cannot succeed, but it can be much more challenging.

And so I am wondering, when you talk about focusing on supporting families to achieve economic success, you have some ideas on that, and, second, when you talk about striving to improve ACF's institutional capacity in order to ensure making a real difference in the lives of families and children, what are you thinking about in broad terms?

Ms. NAZARIO. Your first question. When we talk about supporting families to succeed at work, we are talking about great childcare and development programs, which already the chairman has alluded to, that will come up for reauthorization.

We are very fortunate in what the Congress did with the Recovery Act and the resources that have been brought to bear to assist in that area, that for so many years had not an infusion of new resources into it.

We are talking about determining, what are the occupations that are really in demand, even in times of economic distress, and try to gear people towards those occupations, service occupations in the

health field, and helping young people, especially vulnerable single parents, to support them into moving into those service areas.

Working, as the administration has done so well—and there are some legislative actions, mainly under fatherhood and other child support initiatives, that would assist families so that they will prevent them from joining the ranks of those families receiving TANF.

Those are the kinds of things that we need. But in doing so, doing it with a lot of community support, strengthening communities, the neighborhood partnerships, these are the initiatives that the Congress and the administration will be working on that will assist in keeping the welfare rolls as low as possible.

In terms of your second question, I intend, if confirmed, to take a broad look, but also an in-depth look, throughout the Agency, to look at its operations to see if this is the structure that is best working for us.

Our regional office is equipped in terms of, not just numbers, but the type of tools at the disposal of the staff. Do they have the right training? What is their job? How are they really supporting States and tribes? Do the tribes have the information at their disposal in order to really take advantage of the legislation that enables them to apply directly and run their own programs, child welfare programs and child support enforcement programs? What do we need to do to make sure that capacity is going to stay there after we are not there? Those are the kinds of things that I am talking about.

Senator MENENDEZ. Two final points, if I may, Mr. Chairman. I hope you will, and I think you mention in your statement about working collaboratively across sectors to enhance outreach.

Ms. NAZARIO. Absolutely.

Senator MENENDEZ. Now, I hope we will look at children. When I was a mayor, we created a national award-winning program that provided daycare for children for mothers who were largely on welfare with training in job sectors that the economy called for at the time, while their children were being taken care of by grandmothers who had a lifetime of learning and experience and love to give. We had an inter-generational approach that helped to break the cycle of poverty.

I hope that we look at some of these issues with children in a holistic way. There is not a single element that, at the end of the day, achieves the goal. We can do more of that than less, which means not only within your department, but hopefully reaching out across, that we can be more successful about making sure that the next generation of Americans is going to be as primed and ready to fulfill their God-given potentials. I hope you will be part of that effort. I have said this to others in different venues.

And, finally, I hope that we can count on you within the Department to be an advocate for legal permanent resident children to be treated the same as all children. I do not quite understand when you obey the laws, follow the rules and get treated in a different class. And I certainly hope that, particularly within the context of your department and the authority that you will have, that we will see an advocate for treating legal permanent resident children in the same way as we treat all other children.

Ms. NAZARIO. Certainly, if confirmed, you can count on that, Senator. I am very encouraged by the chairman's words on the reorga-

nization of TANF and the child-only cases. That would be a great opportunity. Many of the children who are in child-only cases are legal residents and American citizens themselves, even if their parents are not.

Senator MENENDEZ. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator. I thank all of you. I wish you very, very good luck. This is a great sacrifice that you are undertaking, but you are doing it for the right reason.

I think that the greatest, most noble human endeavor is public service—or service, public service or private service. The most noble endeavor is service, whatever capacity that each of us is trying to serve, and I think I could tell from all of you that you very much share that. I am particularly impressed with you, Ms. Rios, and your family that you have raised. They are going places, those kids. [Laughter.]

And good luck everybody.

The hearing is adjourned.

[Whereupon, at 11:04 a.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Hearing Statement of Senator Max Baucus (D-Mont.) Regarding Key Administration Nominees

Speaker Sam Rayburn said:

"You cannot be a leader, and ask other people to follow you, unless you know how to follow, too."

We have before us four people who have been nominated by President Obama to help lead the Government. It is imperative that each of you lead. But remember that you cannot lead alone. You must lead with the help of those around you.

And as you lead, you must follow the guidance of those whom you serve. We are all just the hired hands. The American people are the bosses. As you lead, you must follow the guidance of the American people.

Mr. Wilkins, you have been nominated to be Chief Counsel of the Internal Revenue Service.

In this role, you will not lead alone. Rather, you will lead with the help of more than 1,400 attorneys in that office. And you will lead the IRS on critical issues. You will have influence over the resolution of tax issues that affect individuals, businesses, and tax exempt organizations.

Effective tax administration requires equitable treatment of all taxpayers. Taxpayers have a right to expect consistency and certainty in the way that tax laws are interpreted and applied.

Taxpayers have a right to know that issues will be addressed expeditiously within the bounds of IRS authority. Issues must not be allowed to fester for years just because no one is willing to take a position.

Taxpayers have a right to expect the IRS to act tenaciously to shut down scams and schemes that undermine the health of our voluntary tax system. A \$345 billion annual tax gap is simply not acceptable.

Mr. Wilkins, you have an excellent reputation. That was demonstrated by your selection as the Tax Section Chair of the American Bar Association in 2008. Your distinguished career also includes lengthy service for the Senate Finance Committee, culminating in your role as Staff Director and Chief Counsel.

The nation will be relying on your experience, expertise, and leadership to provide timely, fair, and well-reasoned legal analysis of the important issues facing our nation. And as you lead, you must take your guidance from the people who are relying on you. For the legal guidance that you provide will affect every American.

Mr. Tangherlini, you are nominated to be the Assistant Secretary of the Treasury for Management and the Treasury's Chief Financial Officer.

In this role, you will not lead alone. Rather, you will lead with the help of experts throughout the Treasury Department. And in this role, you will help to ensure the quality of the Treasury Department at every turn.

You will provide primary policy advice during the development of Treasury's budget. Adequate funding there will ensure that Treasury can help to guide us out of these difficult economic times. It will allow IRS to provide top-notch taxpayer services, and to bring the IRS up to the 21st Century in computers and technology.

I commend your long history of public service at the Office of Management and Budget, the Department of Transportation, and most recently the District of Columbia, as the D.C. City Administrator and Deputy Mayor. I appreciate your willingness to take on this important role at Treasury.

The nation will be relying on your experience, expertise, and leadership to be a good steward of taxpayer dollars. And as you lead, you must also take your guidance from those taxpayers. For the policies that you further will also affect each American.

Ms. Rios, you are nominated to be the U.S. Treasurer.

In this role, you will not lead alone. Rather you will lead with the help of folks through the Bureau of Engraving and Printing, as well as the U.S. Mint.

You will lead in a position that touches every American. The Treasurer oversees our nation's currency with responsibilities for the Bureau of Engraving and Printing and the United States Mint. The U.S. Savings Bond program also falls under the aegis of the Treasurer. And your signature will appear on all paper currency printed during your tenure.

Your distinguished career in municipal economic development demonstrates a commitment to sound fiscal policy that will serve you well in your new position.

The nation will be relying on your experience, expertise, and leadership to protect our money supply and to promote responsible savings policies. And as you lead, you must take your guidance from the American people. For the decisions that you make will also affect each American.

Ms. Nazario, you are nominated to be the Assistant Secretary for Children and Families. In this role, you will not lead alone. Rather, you will lead alongside the many Americans who dedicate themselves to bettering the lives of our underserved children and families.

In your 40-year career, you have shown your ability to lead. Your career began as a child welfare case worker in 1968. And you have been working for children and vulnerable families ever since.

You have served as the Principal Deputy Assistant Secretary at the Administration for Children and Families during the Clinton Administration. And you have run departments serving children and families in Virginia, Delaware, and Puerto Rico.

I look forward to working with you to implement the Fostering Connections and Increasing Adoptions Act that passed through this Committee and was signed into law last year. We must also reauthorize the Temporary Assistance to Needy Families Program, or TANF. And we must work on the Child Care Development and Social Services Block grants.

The TANF bill will provide opportunities to improve the safety net and provide sustainable employment for folks trying to support families. It also presents the opportunity to look at related programs that serve children, like Child Support Enforcement.

And although we made great strides last year, our work on child welfare is far from done. We must strive to ensure that children need not enter the welfare system. And we must provide solutions for those children who do enter foster care.

Ms. Nazario, the nation's children and families will be relying on your experience, expertise and leadership. And as you lead, you must take your guidance from those worthy people whom you will serve. For the decisions that you make will affect not only the children and families of this generation, but those of generations to come.

You have all been chosen to lead. But as you lead, do not lead alone. Rather, lead by following the guidance of those whom you serve. And together, you will then achieve the worthy goals of the positions to which you have been nominated.

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Opening Statement

Assistant Secretary for Children and Families-designate Carmen Nazario

Senate Committee on Finance

July 10, 2009

Chairman Baucus, Senator Grassley, members of the Committee, good morning. I am honored to have been selected by President Obama to serve as Assistant Secretary for Children and Families at the Department of Health and Human Services, and I am delighted to be here today to discuss my nomination.

The Administration for Children and Families is crucial to the mission of the Department and to the future of our country – ensuring that children and families are protected, particularly in times of economic distress; and providing low-income working families with the supports they need to succeed under any economic conditions. I am thrilled at the opportunity to assist Secretary Sebelius and to lead the Administration for Children and Families in such important endeavor, and at such an important time.

My career experiences have prepared me for this position throughout more than 40 years in the field of human services at every level of government, as well as in the private and non-profit sectors. I have learned what works and what does not work, and I welcome the opportunity to bring my experiences to bear upon the important work of ACF.

I served as Principal Deputy Assistant Secretary at the Administration for Children and Families from 1999-2001, and have an intimate knowledge of the agency's policies, programs, and services. I have worked in all the program areas of the agency. I have worked successfully with states, counties, cities, Tribes, and community service agencies. I have demonstrated success in working collaboratively and productively with members of both parties, and have a proven ability to build consensus, think strategically, and develop institutional capacity for driving change.

I am deeply honored by the President's nomination, and, if confirmed, I will work with Congress to advance and build on the President's priorities, and to ensure that the policies you enact are implemented consistent with congressional intent.

If confirmed, I plan to concentrate on three priority areas:

First, I plan to focus on supporting families to achieve economic success. Providing families with the tools they need to succeed is fundamental to ensuring that low-income working families are full participants in, and contributing members of, our society. This includes a strong focus on prevention efforts, community building, and broad partnerships that include an array of stakeholders.

Second, I believe we must aggressively promote healthy and comprehensive child development. Both President Obama and Secretary Sebelius have said that investing in young children is critical to our future, and I could not agree more. If confirmed, I plan to work collaboratively across sectors to enhance opportunities for children to succeed in school and in life. To succeed in this effort, we need to establish stronger links between the programs within ACF, across HHS and other federal departments, and with outside agencies and organizations.

Third, I will strive to improve ACF's institutional capacity in order to ensure the agency is making a real difference in the lives of families and children. In doing so, I will work to structure the agency's operations so it can carry out its mission efficiently and effectively. My vision for ACF is a highly responsive, self-correcting organization that utilizes data, technology, and succession planning to create an agency of the future.

In pursuing these three objectives, please understand my deep commitment to maintaining an open dialogue with states, tribes, national organizations, and the grantee and advocacy communities to share ideas, learn from each other, and find common ground wherever possible.

Chairman Baucus, Senator Grassley, and members of the Committee, thank you again for this opportunity. I have confidence that the 1400 dedicated public servants who serve as employees of the Administration for Children and Families are prepared to get the job done for all the families and children we care so much about. If confirmed, I am ready to lead them in that important effort.

I am happy to answer any questions.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)

Carmen R. Nazario (maiden name: Carmen Rosa Lucca Ortiz)

2. Position to which nominated:

Assistant Secretary for Children and Families, Department of Health and Human Services

3. Date of nomination:

May 6, 2009

4. Address: (List current residence, office, and mailing addresses.)

Residence:

Mailing:

Office:

Office Mailing:

5. Date and place of birth:

August 30, 1945, San Juan, PR

6. Marital status: (Include maiden name of wife or husband's name.)

7. Names and ages of children:

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

Virginia Commonwealth University School of Social Work
08/1972 – 06/1973
Master of Social Work, 06/1973

Fordham University School of Social Work
08/1967 – 06/1968
First year of graduate social work education

University of Puerto Rico
08/1963 – 06/1967
BA with Honors, Sociology, 06/1967

Saint Rose High School
08/1959 – 05/1963
High School Diploma, 05/1963

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

1/2009 – Present, Assistant Professor, Inter American University of Puerto Rico, San Juan, PR

1/2003 – 12/2008, Administrator, Puerto Rico Administration for Children and Families, Hato Rey, PR

2/2001 – 1/2003; Chief of Party, Jordan Poverty Alleviation Program (USAID-funded project); Nathan Associates, Inc.; Arlington, VA

07/1999 – 01/2001, Principal Deputy Assistant Secretary, Administration for Children and Families, U.S. Department of Health and Human Services, Washington, DC

11/1997 – 07/1999; Associate Commissioner for Child Care; Administration on Children, Youth, and Families (within Administration for Children and Families); U.S. Department of Health and Human Services; Washington, DC

02/1993 – 11/1997, Cabinet Secretary of Health and Social Services, Delaware Department of Health and Social Services, New Castle, DE

10/1992 – 2/1993, Director of Social Services, Department of Social Services, Norfolk, VA

01/1990 – 10/1992, Director of Social Services, Loudoun County Department of Social Services, Leesburg, VA

01/1989 – 12/1989, Undersecretary, Puerto Rico Department of Social Services (Now Department of the Family), San Juan, PR

05/1986 – 01/1989; Policy Associate, Membership Director and Conference Manager; American Public Welfare Association (now APHSA), Washington, DC

08/1977 – 04/1986; Regional Chief of Programs, Regional Licensing Supervisor, and Regional Staff Development Manager; Virginia Department of Social Services, Richmond, VA

10/1976 – 01/1977, Assistant Project Director, Youth Alternatives, Inc., Washington, DC

02/1976 – 09/1976, Co-Director, San Antonio Parent-Child Development Center, San Antonio, TX

02/1975 – 12/1975, Assistant Director, Hampton Department of Social Services, Hampton, VA

08/1973 – 06/1974, Group Work Consultant, Hampton Department of Social Services, Hampton, VA

08/1971 – 08/1972, Social Worker, Sarah B. Hudgins Regional Center for Mental Retardation Services, Hampton, VA

06/1970 – 07/1971, Assistant to the Registrar, Inter American University of Puerto Rico, San Juan, PR

01/1969 – 06/1970, Local Director of Social Services, San Juan III, Puerto Rico Department of Social Services, San Juan, PR

08/1968 – 01/1969, Child Welfare Social Worker, Puerto Rico Department of Social Services, San Juan, PR

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

Leadership Loudoun, Loudoun County, VA
Charter Member, 1992

Domestic Violence Council, Loudoun County, VA
Chair, 1992

Attorney General's Task Force on Domestic Violence, VA
Member, 1991 – 1992

11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

None.

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

Puerto Rico College of Social Workers
Member, 1968, 1989, 2003 – Present

American Public Human Services Association
Member, 1977 – 2008
Vice President, Board of Directors, 1996 – 1997
Member, Board of Directors, 1991 – 1997

National Council of State Human Services Administrators
Member, 1993 – 1997, 2003 – 2008
Secretary, 1994 – 1997

National Council of State Child Welfare Administrators
Member, 1981 – 1986, 1989 – 1990, 2003 – 2008
Executive Committee, 1991 – 1993

National Council of Local Public Welfare Administrators
Chair, 1991 – 1993

YMCA, Loudoun County, VA
Board of Directors, 1992 – 1993

American Red Cross, Loudoun County, VA
Board of Directors, 1990 – 1993

Leadership Loudoun, Loudoun County, VA
Charter Member, 1992

Domestic Violence Council, Loudoun County, VA
Chair, 1992

Attorney General's Task Force on Domestic Violence, VA
Member, 1991 – 1992

Virginia League of Social Service Executives
Member, 1991 – 1993

YWCA Fairfax County, VA
Board of Directors, 1986 – 1987

Association for Citizens with Mental Retardation, Hampton, VA
Board of Directors, 1973 – 1974

13. Political affiliations and activities:

- a. List all public offices for which you have been a candidate.**

None.

- b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.**

Member, Democratic Party
Member, Popular Democratic Party of Puerto Rico

- c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.**

Tom Carper (Carper for Senate)
12/29/1999, \$250.00

Al Gore (Gore 2000, Inc.)
02/29/2000, \$250.00*

Al Gore (Gore/Lieberman General Election Legal and Accounting Compliance Fund)
09/25/2000, \$500.00

Popular Democratic Party of Puerto Rico
01/28/04, \$300.00
03/10/05, \$600.00
07/05/05, \$150.00

10/24/05, \$200.00
12/02/06, \$200.00
10/30/07, \$50.00
10/30/07, \$20.00

*The web site of the Federal Election Commission (FEC) shows two contributions of \$500 on 2/29/2000. However, because \$250 of the original \$500 contribution was later reattributed to my husband, Alexis Nazario, it mistakenly appears twice in FEC's listings.

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

Outstanding Performance Award, Nathan Associates, Inc. (one of four employees selected for the first-ever award among employees in 150 countries), May 2001

"2000 Alumni Star" (Distinguished Alumna in Social Work in the year 2000), Virginia Commonwealth University School of Social Work, June 2000

Secretary's Award for Distinguished Service, U.S. Department of Health and Human Services, "for contribution to the HHS response team to ensure humane assistance to the Kosovo-Albanian refugees," May 2000

Champion of Diversity, U.S. Department of Health and Human Services, "for exemplary efforts to make diversity a source of performance excellence for HHS," March 2000

Secretary's Award for Distinguished Service, U.S. Department of Health and Human Services, "for exemplary teamwork and management of Presidential priorities – the Child Care Initiative – throughout the development and justification of the Department's FY 1999 budget presentations," May 1998

Order of the First State, Governor of Delaware (highest honor the Governor can bestow), "for meritorious service and outstanding efforts on behalf of the citizens of Delaware," November 1997

Tribute, Delaware State Senate, November 1997

Tribute, Delaware House of Representatives, November 1997

Tribute, Wilmington City Council, Delaware, November 1997

Collaborator of the Year, Delaware Interagency Council for Children and Families, October 1996

First Women of the First State, Delaware Association of University Women, 1994

Outstanding Achievement Award, National Association of Counties, for successful home-based family preservation program in Loudon County, Virginia, 1992

Outstanding Achievement Award, National Association of Counties, for successful outcomes in the Teen Pregnancy Prevention and the Parenting Program in Loudoun County, Virginia, 1992

Commissioner's Meritorious Service Award, Virginia Department of Social Services, "for exemplary leadership, planning and effectiveness during repatriation from the Middle East," 1991

Outstanding Achievement Award, National Association of Counties, for successful home-based family preservation program in Loudon County, Virginia, 1991

Outstanding Achievement Award, National Association of Counties, for successful outcomes in the Teen Pregnancy Prevention and the Parenting Programs in Loudoun County, Virginia, 1991

Letter, Federal Emergency Management Agency, "for exemplary leadership and management effectiveness in directing assistance to victims of Hurricane Hugo," 1990

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

Editor, Strategy Report of the Jordan Poverty Alleviation Program in Amman, Jordan, May 2002 (the report was produced by the Program and widely distributed but not formally published)

Editor, Report on the Delaware Governor's Task Force on Cancer, June 1994

Founding Editor, APWA News (the national quarterly newsletter of the American Public Welfare Association, now American Public Human Services Association), 1986 –1989

Other than the three reports/newsletters listed above, I have no published writings.

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)

I have not delivered any formal speeches during the past five years.

During the past five years, I have delivered remarks in the following informal settings:

I spoke to a group of juvenile court judges in Puerto Rico about foster care and adoption policy and procedure.

I spoke at the Puerto Rico College of Attorneys about the protocol followed by my agency in child abuse and neglect investigations.

I spoke to a San Juan chapter of the National Exchange Club on two occasions. Both times, the topic was child abuse.

I spoke to the supervisors of the Administration for Children and Families in Puerto Rico about the importance of supervision in the process of protecting children and strengthening families.

(I do not have copies of my remarks on these occasions and do not believe they exist anywhere. The presentations mentioned above were all in the context of my employment at the time and were made to very small selected audiences, not to the public.)

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

ACF supports a wide range of critical programs for families and children. In particular, ACF is at the forefront of our nation's commitment to providing early childhood education and care, support for low-income working families, and services to vulnerable populations. If confirmed as Assistant Secretary for Children and Families at the Department of Health and Human Services, I will be thrilled and honored to assist President Obama and Secretary Sebelius in such an important endeavor.

I believe my experiences have prepared me well for this position. I served as Associate Commissioner of ACF's Child Care Bureau from 1997-1999 and as Principal Deputy Assistant Secretary for Children and Families from 1999-2001. As a result, I am intimately familiar with the agency's programs, policies, and services. I know the federal organizational structure and many of the current ACF staff, including at the regional level, and I believe I have the confidence of those individuals. I know how the bureaucracy and the systems work because I have first-hand experience in administering related programs at the local, state, national, and international levels. I have worked in each of the major program areas of ACF (child welfare, economic security, and early childhood development) as well as in the agency's smaller and lower-profile programs. I worked successfully with many stakeholder groups (including Tribes and volunteer organizations), agencies (including refugee resettlement and community service agencies), and programs (including the Social Services Block Grant, LIHEAP, and mental retardation programs).

Given the dire circumstances of our economy, it is imperative that we use the resources provided by the American Recovery and Reinvestment Act to leverage program initiatives that can be sustained with regular appropriations. If confirmed, I will maximize flexibility in the Agency's budget, expand the use of partnerships and collaborative efforts among agencies (government, private sector, and academia), and engage in frequent consultation with states, Tribes, advocates, and other stakeholders in order to energize policy-development efforts and restore ACF's primary leadership role in early childhood development, strengthening families, and promoting children's safety and well-being. I have the knowledge and skills to lead the organization and to help it attain these goals.

In addition, my work with a USAID-funded project in Jordan following my federal tenure helped me to broaden my perspective and cultivate a wider vision that integrates multicultural insights and multiple disciplines and sectors. As a Latina experienced in working with American racial and ethnic populations, I gained a new insight into addressing the needs of the disenfranchised. I saw first-hand that Jordan understood how important it was for the poor to experience the benefits from its peace treaty with Israel. The Jordan Poverty Alleviation Program, which I directed, was a successful contributor to that effort and was recognized as such by the Jordanian government, donor countries, and the USAID. Our Strategy and Recommendations were accepted by the Monarchy, the Parliament, the civil society, and, most importantly, the people.

I have a long-standing record of success and accomplishment that could not have been possible without an ability to build consensus, create partnerships, think strategically, and develop institutional capacity for change. Through my work with the National Governors Association and the American Public Human Services Association, and as Secretary of Health and Social Services in Delaware and Administrator for Children and Families in Puerto Rico, I honed my skills in working with Congressional staff and the state legislatures on both sides of the aisle.

I am extremely excited about the possibility of serving as Assistant Secretary of Children and Families and deeply committed to implementing the children's and anti-poverty agenda of the Obama Administration.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. **Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.**

Yes.

2. **Do you have any plans, commitments, or agreements to pursue outside**

employment, with or without compensation, during your service with the government? If so, provide details.

No.

- 3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.**

No.

- 4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.**

Yes.

C. POTENTIAL CONFLICTS OF INTEREST

- 1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.**

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of Health and Human Service's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's Designated Agency Ethics Official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

- 2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.**

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of Health and Human Service's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's Designated Agency Ethics Official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

- 3. Describe any activity during the past 10 years in which you have engaged**

for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

None.

- 4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)**

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of Health and Human Service's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's Designated Agency Ethics Official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

- 5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.**
- 6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:**

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

N/A

D. LEGAL AND OTHER MATTERS

- 1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.**

No.

2. **Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.**

No.

3. **Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.**

I have been named in multiple administrative proceedings and civil litigation actions in my official capacity as Cabinet Secretary in Delaware and Administrator of the Administration of Children and Families in Puerto Rico. I regularly had no specific or personal knowledge and do not have records of such actions as they were handled by the agency attorneys on the agency's behalf. Only once have I been involved to the point of having to testify as a defendant. That was in the case of *Ali Z. Hameli, M.D. vs. Carmen Nazario*. Dr. Hameli, Medical Examiner in Delaware, was terminated for sexual harassment and sued the department for wrongful termination. The case was dismissed on appeal in U.S. Court of Appeals in Delaware in August 1997.

4. **Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.**

No.

5. **Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.**

None.

E. TESTIFYING BEFORE CONGRESS

1. **If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?**

Yes.

2. **If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?**

Yes.

Responses to Questions for the Record From Ms. Carmen Nazario

1. **The last effort to reauthorize the Temporary Assistance for Needy Family (TANF) was a difficult and time consuming process. There were 12 extensions of TANF before the reauthorization was finally enacted. What are the *specific* lessons learned from the last reauthorization effort? How do you intend to address the lessons learned?**

Response: As a governor, Secretary Sebelius helped to implement welfare reform on the ground, with a strong focus on work and responsibility. In addition, I know that the Secretary and members of this Committee recognize that success at work and at home must include key supports such as affordable child care, training to help parents find better work opportunities, and reliable child support to ensure children receive help from both parents. Drawing on my past experience in federal and state government, if confirmed, I will work closely with Secretary Sebelius, members of this Committee, states, and other stakeholders to establish an early, collaborative process – like the one I was involved in during the 1996 reform effort – to broadly examine all these critical elements. My goal will be to ensure that TANF reauthorization legislation is developed in a timely manner with a comprehensive view towards meeting the needs of low-income and vulnerable families, promoting child well-being, and identifying strategies for improving services to better assist families in escaping poverty.

2. **As you know, a child-only TANF case is one in which no adult is included in the cash grant. Child-only cases now comprise approximately 42% of the cash welfare caseload. An increasing number of these child only cases are children living with non-parent or relative caregivers. Research prepared for the Department of Health and Human Services concludes that, “many children and child-only TANF cases with relative caregivers have extensive unmet needs,” and concludes that, the “TANF child only grant provides basic financial support to children cared for by relatives not legally responsible for them, but rarely offers assessments or services appropriate to these children’s needs.” How do you intend to address the growing number of child-only TANF cases and the unmet needs of children in these child-only cases in the upcoming reauthorization of the TANF programs?**

Response: The TANF reauthorization process must take a broad and collaborative view of all the essential components for enabling a family to become self-sufficient. In addition to a strong focus on self-sufficiency, we must work to promote child well-being and identify strategies for improving services to better assist families in escaping poverty. If confirmed, I will examine the issue of TANF child-only cases as part of this comprehensive approach to TANF reauthorization.

3. **Current law requires 30 hours of work or work related activities to count towards a state’s participation rate. In an effort to more closely approximate the work load of an average working individual, the previous Administration proposed increasing the**

amount of time an individual receiving assistance must spend in work or work related activities to a total of 40 hours in order for a welfare client to fully count towards a state's participation rate. Is a 40 hour work week standard reasonable for a client receiving assistance? If not, why?

Response: Welfare reform reauthorization offers an opportunity to look at the full range of issues related to work and responsibility. If confirmed, I plan to undertake a comprehensive review of how the programs ACF administers can work more efficiently and effectively to help families achieve self-sufficiency, including the question you raise on TANF work participation expectations. I appreciate your commitment to welfare reform and building on its early success in moving people to self-sufficiency, and, if confirmed, I look forward to working with you to strengthen the effectiveness of the TANF program in this regard.

- 4. The 1996 welfare reform bill contemplated that by 2002 and thereafter, states would be required to engage 50% of welfare clients in meaningful activities. In reality, as a result of the caseload reduction credit in the years leading up to the Deficit Reduction Act (DRA) many states did not meet a 50% participation rate. As part of the DRA, the caseload reduction credit was "rebased" thereby establishing a more robust participation rate for states. Do you believe that the current 50% participation rate for states should be maintained in the upcoming reauthorization of the TANF program? Will you support or oppose efforts to potentially undermine the participation rate by replacing the caseload reduction credit with a credit that would effectively reduce a state's participation rate requirement? Data on how states fared in meeting the new participation standards have not been released from the Department of Health and Human Services for 2007 and 2008. Will you provide this data to the Committee?**

Response: As noted earlier, if confirmed, I will engage in a comprehensive examination of the TANF program taking into consideration the concerns you raise about state work participation rates. Like Secretary Sebelius, I strongly believe that welfare reform rests upon the twin pillars of work and responsibility. Additionally, I understand the importance of ensuring that strong outcome data informs reauthorization efforts, and I will commit to examining TANF data reporting and to ensuring that any reporting difficulties are addressed. If confirmed, I look forward to working with the Committee to examine data that will help inform us about the most effective ways to serve families and children.

- 5. The Deficit Reduction Act of 2005 gave the Secretary of HHS the authority to promulgate regulations for determining whether activities may be counted as "work activities" how to count and verify reported hours of work and determining who is a work-eligible individual. These regulations were due June 30, 2006. These regulations have been published and states have started to comply. Do you intend to make any changes to the current TANF work regulations? If so, please describe the changes you intend to make and rationale for changing the current regulations.**

Response: If confirmed, as a first step in my approach to welfare reform reauthorization, I plan to undertake a comprehensive review of how the programs ACF administers can work more efficiently and effectively to help families achieve self-sufficiency, including through work requirements. My review will include an assessment of both the statutory and regulatory framework of the TANF program to ensure that we are well-positioned as a nation to address the needs of low-income families and to provide opportunities for them to become self-sufficient. While I cannot presuppose whether regulatory changes related to work activities will be necessary prior to undertaking that assessment, I am committed to working closely with members of this Committee, states, and other stakeholders to establish an early, collaborative process to broadly examine all critical elements to reform.

- 6. Various reports indicate that some states are utilizing a TANF implementing regulation which allows states to reduce their effective participation rate by counting a broad range of social service expenditures toward their Maintenance of Effort (MOE). Do you intend to allow states to continue using funds they have spent on other social service programs to “count” as MOE for the purposes of determining a states work participation rate? If so, please describe how allowing states to use funds they have spent to effectively lower their work participation rate supports a “work first” approach to welfare? How would you respond to critics of this practice who claim that states are using MOE as a means to relieve their responsibility for productively engaging families so that they can make the transition from dependence to self sufficiency?**

Response: Both Secretary Sebelius and I are committed to targeting our efforts to work and responsibility while ensuring adequate supports are in place to assist families in moving toward self-sufficiency. If confirmed, I will engage in a comprehensive examination of the TANF program, taking into consideration the concerns you raise about state implementation of the Maintenance-of-Effort provisions, to be certain we are working together with our state partners in an effective and efficient manner to achieve the goals of the TANF program.

- 7. How do you plan to improve the integration of services for low income people? Describe how you plan to address the jurisdictional barriers presented when attempting to integrate services such as food stamps, welfare and the Workforce Investment Act which are authorized by separate Congressional committees.**

Response: If confirmed, I am committed to working collaboratively with other federal agencies that play key roles in helping people succeed at work and at home. As you noted, the Department of Agriculture and the Department of Labor are two of our critical partners. We must work together closely to maximize the efficiency and effectiveness of our programs. We also must work with relevant congressional committees to determine whether legislation is necessary to better coordinate our services.

- 8. One of the criticisms of the welfare reform provisions in the Deficit Reduction Act of 2005 was that, according to the Congressional Budget Office, if states chose to meet**

the new requirements by funding activities such as work experience, the cost to states would be \$800 million in FY 06, \$1.7 billion in FY 07, \$1.8 billion in FY 08 and \$1.9 billion in FY 09. Can you confirm whether or not states have had to spend these amounts in order to comply with the welfare requirements in the DRA? To the best of your knowledge, has there been any additional state spending in order to comply with the welfare requirements in the DRA? What strategies have states implemented in order to comply with the welfare requirements in the DRA?

Response: As noted earlier, if confirmed, I am committed to undertaking a comprehensive review of current TANF implementation efforts by states. As part of that review, I will carefully examine the issues you have raised, including state expenditures on work-related activities and other key requirements in the Deficit Reduction Act, as well as strategies states have undertaken to comply with the welfare requirements in the Deficit Reduction Act. All of this information will be taken into consideration as we develop our welfare reform reauthorization package.

- 9. The enactment of the “Fostering Connections to Success and Increasing Adoptions Act of 2008” has been characterized as the most far reaching reform to child welfare in over a decade. However, a number of key provisions of this legislation, such as the establishment of a kinship guardianship assistance program and the state option to extend care after the age of 18, are left up to the states. How do you intend to work with states to implement provisions of “Fostering Connections to Success and Increasing Adoptions Act of 2008” especially the provisions which are options for states?**

Response: The Fostering Connections to Success Act significantly expanded the availability of federal funds to support children and families that are involved in the child welfare system. If confirmed, I am committed to ensuring this important legislation is implemented quickly, thoughtfully, and consistent with congressional intent. My efforts will include ensuring that states and tribes are provided with clear and timely guidance and that technical assistance is available to them to help in their implementation of these far-reaching reforms.

Follow-up Questions for Ms. Carmen Nazario

- 1. The last effort to reauthorize the Temporary Assistance for Needy Family (TANF) was a difficult and time consuming process. There were 12 extensions of TANF before the reauthorization was finally enacted. What are the specific lessons learned from the last reauthorization effort? How do you intend to address the lessons learned?**

Response: I believe many of the difficulties of the most recent TANF reauthorization can be avoided by putting in place an open and collaborative process early on in the reauthorization effort to allow a thorough discussion of the most important issues and to ensure all involved parties are engaged as full partners in developing reauthorization legislation.

One of the key lessons I learned from my experiences throughout my career in federal, state, and local government is that, in order to be successful in enacting any major piece of legislation, it is essential to establish an open process under which all involved parties – both at the state and local level and across the branches of the federal government – work collaboratively. Legislation cannot be developed in isolation. In addition to allowing stakeholders to share ideas and learn from the experiences of others, such a process ensures that everyone has an “ownership stake” in the process.

In addition, a successful TANF reauthorization effort will require a firm grasp of the most important issues. As a governor, Secretary Sebelius helped to implement welfare reform on the ground, with a strong focus on work and responsibility. In addition, I know that the Secretary and members of this Committee recognize that success at work and at home must include key supports such as affordable child care, training to help parents find better work opportunities, and reliable child support to ensure children receive help from both parents.

If confirmed, I will work closely with Secretary Sebelius, Congress, states, and other stakeholders to establish a collaborative process early on in the reauthorization effort to broadly examine all these critical elements of welfare reform. My goal will be to ensure that TANF reauthorization legislation is developed in a timely manner with a comprehensive view towards meeting the needs of low-income and vulnerable families, promoting child well-being, and identifying strategies for improving services to better assist families in escaping poverty.

- 2. As you know, a child-only TANF case is one in which no adult is included in the cash grant. Child-only cases now comprise approximately 42% of the cash welfare caseload. An increasing number of these child only cases are children living with non-parent or relative caregivers. Research prepared for the Department of Health and Human Services concludes that, “many children and**

child-only TANF cases with relative caregivers have extensive unmet needs,” and concludes that, the “TANF child only grant provides basic financial support to children cared for by relatives not legally responsible for them, but rarely offers assessments or services appropriate to these children’s needs.” How do you intend to address the growing number of child-only TANF cases and the unmet needs of children in these child-only cases in the upcoming reauthorization of the TANF programs?

Response: The TANF reauthorization process must take a broad and collaborative view of all the essential components for enabling families to become self-sufficient. In addition to a strong focus on self-sufficiency, we must work to promote child well-being and identify strategies for improving services to better assist families in escaping poverty. If confirmed, I will examine the issue of child-only cases – including both the causes of the proportional increase in such cases and strategies for addressing them – as part of this comprehensive approach to TANF reauthorization.

The child-only TANF cases you mention in your question can be divided into several categories – including children whose parents have been sanctioned and removed from the grant, children living with non-parent caregivers, and children whose parents are in receipt of SSI or other benefits – and the needs of the families and children in each vary considerably.

I believe there is a wide range of potential uses for TANF funds to support services for children in child-only cases. The Fostering Connections legislation provides states and tribes with the option of establishing a Kinship Guardianship Program, and, for the first time (other than under waivers), states and tribes can receive federal matching funds for placing children with relatives. This legislation provides a solid foundation upon which to build further connections between economic security and child welfare services for children who cannot be cared for by their natural parents. Therefore, in examining child-only cases in the TANF program, it will be important to take a much broader view. If confirmed, I will establish a process for examination of caseload statistics and demographics as well as for consultations with states and tribes to develop policy proposals that address the needs of children in TANF caseloads in a more comprehensive manner. At the same time, these consultations will provide an opportunity to educate states on the possibilities provided under the Fostering Connections legislation.

- 3. Current law requires 30 hours of work or work related activities to count towards a state’s participation rate. In an effort to more closely approximate the work load of an average working individual, the previous Administration proposed increasing the amount of time an individual receiving assistance must spend in work or work related activities to a total of 40 hours in order for a welfare client to fully count towards a state’s participation rate. Is a 40 hour work week standard reasonable for a client receiving assistance? If not, why?**

Response: As the President has said, and as I emphasized in my testimony, work and personal responsibility must remain essential elements of any TANF reauthorization. Welfare reform reauthorization offers an important opportunity to examine the full range of issues related to work and responsibility. Broadly speaking, if confirmed, I plan to undertake a comprehensive review of how the programs ACF administers can work more efficiently and effectively to help families work and achieve self-sufficiency.

In order to address the question you raised regarding a 40-hour work week standard and whether such a standard is reasonable, I would seek advice from stakeholders, including states, colleagues at the Department of Labor, and TANF recipients themselves. A decision about the appropriate number of hours of participation in work or work-related activities must take into account the necessary supports needed, Fair Labor Standards Act requirements, the definition of work activities, and other relevant factors, such as the administrative burden on states to maintain necessary controls.

I appreciate your commitment to welfare reform and building on its early success in moving people to self-sufficiency, and, if confirmed, I look forward to working with you to strengthen the effectiveness of the TANF program in this regard.

- 4. The 1996 welfare reform bill contemplated that by 2002 and thereafter, states would be required to engage 50% of welfare clients in meaningful activities. In reality, as a result of the caseload reduction credit in the years leading up to the Deficit Reduction Act (DRA) many states did not meet a 50% participation rate. As part of the DRA, the caseload reduction credit was “rebased” thereby establishing a more robust participation rate for states. Do you believe that the current 50% participation rate for states should be maintained in the upcoming reauthorization of the TANF program? Will you support or oppose efforts to potentially undermine the participation rate by replacing the caseload reduction credit with a credit that would effectively reduce a state’s participation rate requirement? Data on how states fared in meeting the new participation standards have not been released from the Department of Health and Human Services for 2007 and 2008. Will you provide this data to the Committee?**

Response: As I noted in my answer to the previous question, if confirmed, I will engage in a comprehensive examination of the TANF program taking into consideration the concerns you raise about state work participation rates. Like Secretary Sebelius, I strongly believe that welfare reform rests upon the twin pillars of work and responsibility. Additionally, I understand the importance of ensuring that strong outcome data informs reauthorization efforts, and I will commit to concluding the reports for 2007 and 2008 expeditiously and releasing the data to the Committee, to examining TANF data reporting more broadly, and to ensuring that any reporting difficulties are addressed.

I look forward to working with the Committee to examine the data from these reports to determine the best next steps in the upcoming reauthorization. Work participation rates were a key issue in the previous reauthorization, and I know I must be prepared to engage stakeholders and the committee as we design the welfare reform reauthorization package with an eye towards the most effective ways to serve families so they can achieve self-sufficiency.

- 5. The Deficit Reduction Act of 2005 gave the Secretary of HHS the authority to promulgate regulations for determining whether activities may be counted as “work activities” how to count and verify reported hours of work and determining who is a work-eligible individual. These regulations were due June 30, 2006. These regulations have been published and states have started to comply. Do you intend to make any changes to the current TANF work regulations? If so, please describe the changes you intend to make and rationale for changing the current regulations.**

Response: If confirmed, as a first step in my approach to welfare reform reauthorization, I plan to undertake a comprehensive review of how the programs ACF administers can work more efficiently and effectively to help families achieve self-sufficiency, including through work requirements. My review will include an assessment of both the statutory and regulatory framework of the TANF program to ensure that we are well positioned as a nation to address the needs of low-income families and to provide opportunities for them to become self-sufficient. While I cannot presuppose whether regulatory changes related to work activities will be necessary prior to undertaking that assessment, I am committed to working closely with members of this Committee, states, and other stakeholders to establish an early, collaborative process to broadly examine all critical elements to reform. Once the assessment is complete and I have a better understanding of the details, I would be happy to discuss this issue with you further.

- 6. Various reports indicate that some states are utilizing a TANF implementing regulation which allows states to reduce their effective participation rate by counting a broad range of social service expenditures toward their Maintenance of Effort (MOE). Do you intend to allow states to continue using funds they have spent on other social service programs to “count” as MOE for the purposes of determining a states work participation rate? If so, please describe how allowing states to use funds they have spent to effectively lower their work participation rate supports a “work first” approach to welfare? How would you respond to critics of this practice who claim that states are using MOE as a means to relieve their responsibility for productively engaging families so that they can make the transition from dependence to self sufficiency?**

Response: Both Secretary Sebelius and I are committed to targeting our efforts to work and responsibility while ensuring adequate supports are in place to assist families in moving toward self-sufficiency. If confirmed, I will engage in a comprehensive examination of the TANF program, taking into consideration the concerns you raise about state implementation of the Maintenance-of-Effort provisions, to be certain we are working together with our state partners in an effective and efficient manner to achieve the goals of the TANF program.

7. How do you plan to improve the integration of services for low income people? Describe how you plan to address the jurisdictional barriers presented when attempting to integrate services such as food stamps, welfare and the Workforce Investment Act which are authorized by separate Congressional committees.

Response: The President has made it clear that improving program efficiency and integration across the federal government is a top priority, and Secretary Sebelius is fully committed to bringing that approach to the Department of Health and Human Services.

I wholeheartedly support this model, and have seen first-hand how effective it can be. In Hampton, Virginia, I obtained and then oversaw the implementation of a grant that brought together 19 public and private agencies in a streamlined, single application process. In Delaware, through collaboration with the Department of Labor, we established integrated centers for work orientation, training, job search, recruitment, and employment that were successful in providing a “one-stop-shopping” approach in our State Service Centers. I am proud to say that I received a Collaborator of the Year award for my agency’s work in Delaware in developing a “No Wrong Door” approach to services application and intake; supporting home visitation programs; strengthening communities; and developing an integrated information system for early childhood services that brought together public and private preventive services for children, including private pediatric services.

I am eager to bring this approach to ACF programs, and am very interested in exploring any and all options – including demonstration programs where appropriate – to streamline the delivery of social services. If confirmed, I am committed to working collaboratively with other federal agencies that play key roles in helping people succeed at work and at home. As you noted, the Department of Agriculture and the Department of Labor are two of our critical partners, and I intend to reach out to colleagues at those and other federal agencies to establish partnerships and identify potential areas for cooperation as early as possible. Finally, I will work with relevant congressional committees to determine what legislative changes may be necessary to better coordinate our services.

- 8. One of the criticisms of the welfare reform provisions in the Deficit Reduction Act of 2005 was that, according to the Congressional Budget Office, if states chose to meet the new requirements by funding activities such as work experience, the cost to states would be \$800 million in FY 06, \$1.7 billion in FY 07, \$1.8 billion in FY 08 and \$1.9 billion in FY 09. Can you confirm whether or not states have had to spend these amounts in order to comply with the welfare requirements in the DRA? To the best of your knowledge, has there been any additional state spending in order to comply with the welfare requirements in the DRA? What strategies have states implemented in order to comply with the welfare requirements in the DRA?**

Response: I am not in a position to know the exact amounts states have spent in order to comply with the welfare reform requirements in DRA, and my only first-hand knowledge of this issue is based on my experience in Puerto Rico, which did not spend additional state dollars to comply with the DRA's requirements (although, because I did not have responsibility for the TANF program, I am not familiar with the steps Puerto Rico did take to come into compliance with the law). Given the strong interest in the cost of implementing the DRA provisions and strategies states have developed in order to comply with the DRA requirements, I am committed to undertaking an expeditious review of current TANF implementation efforts by states, and would be happy to provide your office with that information at the earliest possible time. It will also be important to take this information into consideration as part of the collaborative effort to develop welfare reform reauthorization legislation.

- 9. The enactment of the "Fostering Connections to Success and Increasing Adoptions Act of 2008" has been characterized as the most far reaching reform to child welfare in over a decade. However, a number of key provisions of this legislation, such as the establishment of a kinship guardianship assistance program and the state option to extend care after the age of 18, are left up to the states. How do you intend to work with states to implement provisions of "Fostering Connections to Success and Increasing Adoptions Act of 2008" especially the provisions which are options for states?**

Response: The Fostering Connections to Success Act significantly expanded the availability of federal funds to support children and families that are involved in the child welfare system. If confirmed, I am committed to ensuring this important legislation is implemented quickly, thoughtfully, and consistent with congressional intent. My efforts will include ensuring that states and tribes are provided with clear and timely guidance and that technical assistance is available to them to help in their implementation of these far-reaching reforms.

As I mentioned in a response to an earlier question, the Kinship Guardianship program option gives all states, for the first time, the ability to expand the number of foster care

placements receiving federal matching support. Beyond the financial benefit to states, children will benefit by being able to live with a guardian.

If will commit to ensuring that states and tribes are thoroughly informed about these program options and the impact they can have on the lives of these vulnerable children, as well as to exploring innovative ways to enable states take advantage of them. For example, ACF could work with the National Governors Association and the Association of Public Human Services Administrators to ensure that states are fully aware of the options available to them, and to share information about individual state approaches in a clearing house capacity.

As several states have done, I began a kinship program in Puerto Rico with state-only dollars, even without the benefits of a waiver process, because kinship/guardianship is recognized as a path to permanency for children. I believe that states will take advantage of the opportunities provided in the legislation and, if confirmed, I will ensure that the Administration for Children and Families effectively leads and supports them in that effort.

**Opening Statement of Rosa G. Rios
Nominee for Treasurer of the United States
Senate Committee on Finance
July 14, 2009**

Thank you Chairman Baucus, Ranking Member Grassley and members of the Senate Committee on Finance for the opportunity to be here today regarding my nomination as the Treasurer of the United States. I am both honored and eager to serve my country during one of the most critical economic milestones in its history, and I am grateful to President Obama and Secretary Geithner for their consideration.

I have had the pleasure of working with the Finance Committee staff, and I look forward to addressing your issues and interests not just here today but on an ongoing basis.

If I could just take a few minutes, I'd like to introduce my family members who have joined me today. First of all, my Mom, Guadalupe Rios, who courageously raised me and my eight brothers and sisters as a single parent and who today remains my pillar of strength. My husband and partner of 26 years, Joe Gumataotao, and my brother and best friend, Jaime Rios.

Finally, my two children, Joey and Brooke. Joey is 13 years old, a 4.0 student and a top athlete in baseball, and is on not one but two basketball teams while receiving the highest grades in his class in both honors social studies and honors algebra. He just finished the school year as the first seventh grader in the school district to be the number one ranked tennis player among all the grades of both middle schools. Brooke is 8 years old. She's a fine student who just finished third grade as a member of her student council, the top scorer on her basketball team and the only girl on the Little League team, skipping two levels and competing among boys some as much as three years older than her. In addition, she is a nationally-recognized competitive tap dancer. They are my primary inspirations and the reason why I believe we as a nation need to move in the right direction to solve not just today's financial crisis, but to build tomorrow's dreams.

I have been fortunate enough to build a career in both the private and public sectors working on community development issues that have been at the forefront of our current economic challenges. Previously, during my tenure in working with local governments, I have served as the Director of Economic Development and in Redevelopment departments and have worked directly with communities, businesses and citizens in the areas of business attraction and retention, job creation, workforce development and urban revitalization. Most recently, I had the distinct pleasure of serving on the Treasury/Federal Reserve Transition Team, and one of my key functions was to serve as the lead staff member for all external stakeholder outreach on behalf of the new Administration. I was able to hear first-hand from many different constituencies about their interests, concerns and recommendations and on the value of Treasury's and the Administration's role in incorporating that feedback into its policies, initiatives and programs.

I am an economic development practitioner; this is my passion and my calling, and I believe this experience has enabled me to understand and appreciate the importance of Financial Education and Financial Literacy as we move forward. Indeed times have changed and the bar of expectations has been raised in terms of resources that are both necessary and timely.

I am a firm believer in government serving as a facilitator not just to provide financial information but to identify the stakeholders and partners who can also design and provide tools during the planning and implementation process. Public/private partnerships are the key to our solutions, and with so much at stake, now more than ever both the inter-agency efforts and the bureaus/offices within Treasury must be much more strategic in the type of information that is disseminated and how resources are accessed. As an advisor to Secretary Geithner in these areas, should I be confirmed, I would work closely with the Office of Financial Education and Assistant Secretary Michael Barr to carry out the priorities of the Treasury Department and the Obama Administration.

In addition, I also look forward to working with the Bureau of Engraving and Printing and the U.S. Mint on behalf of the Secretary on matters relating to our currency and coinage.

Mr. Chairman, I am proud to return to my roots of public service and I will leverage my background and experience to work closely with my colleagues and constituencies and uphold the duties of the Office of the Treasurer.

Thank you. I am happy to answer your questions.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)

Rosa Gumataotao Rios (legal name)

Rosie Gumataotao Rios (colloquial name)

Rosa Carmen Rios (birth name)

2. Position to which nominated:

Treasurer of the United States

3. Date of nomination:

May 18, 2009

4. Address: (List current residence, office, and mailing addresses.)

5. Date and place of birth:

July 17, 1965, Hayward, CA

6. Marital status: (Include maiden name of wife or husband's name.)

7. Names and ages of children:

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

Moreau Catholic High School, 1979-1983, graduated June 1983

Harvard University, B.A., 1983-1987, graduated June 1987.

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

- Commercial Property Underwriter, General Reinsurance. Determined premiums based on risk assessment of unique high-valued commercial property, San Francisco, CA, 1987-1989
- Commercial Real Estate Office Broker, Blickman Turkus Commercial Real Estate, San Jose, CA, 1990-1994
- Development Specialist/ Administrative Aide. Managed special projects in Development Services Department, City of San Leandro, San Leandro, CA, 1994-1997
- Director of Economic Development, City of Fremont. Oversaw City's business attraction and retention efforts, job creation and outreach activities targeting the high-tech and retail sectors, City of Fremont, CA, 1997-2001
- Redevelopment Agency Manager, City of Union City, CA. Led redevelopment efforts with a focus on Union Landing, a 100-acre retail center. Served as a team member on the implementation of the project's Community Facilities District, 1999 (temporary assignment – six month)
- Director of Redevelopment and Economic Development, City of Oakland. Integrated two City departments and managed a staff of almost 100 people to facilitate development and business opportunities for the City of Oakland. Worked with the high-tech, office, retail, and housing sectors to stimulate commercial development, to revitalize neighborhood corridors, and to support the Mayor's Downtown 10K housing program, City of Oakland, CA, 2001-2003
- Principal/Municipal Consultant, Red River Associates
 - Washington D.C. - Executive Consultant: Strategic Advisor to the City Administrator regarding development and downtown revitalization with a focus on the Washington Nationals stadium project. 2004.
 - San Francisco Public Utilities Commission - Executive Consultant: Served as a Regional Liaison for the project management implementation of the Water System Improvement Program of the SFPUC Infrastructure Division on behalf of the Assistant General Manager of Infrastructure, 2003-2006
- Managing Director, MacFarlane Partners. Serve as key liaison with the firm's development and global capital partners to facilitate equity transactions for large mixed-use development projects in key urban areas, San Francisco, CA, 2006-present.

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)
None

11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

Unity Council, Board Member, March '08 (est.) to present

California Association for Local Economic Development, January '02 (est.) to present

Alameda County Employees' Retirement Association, April '08 to present

Toigo Foundation, April '09 to present

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

Royal Society for the Arts, Fellow
Harvard Club of San Francisco
Democratic Latinos of Virginia

13. Political affiliations and activities:

a. List all public offices for which you have been a candidate.
None

b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years
None

c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.

Ellen Corbett for CA Assembly, \$100, 1998
Emily's List, \$100, 2005
Alex Padilla for CA State Senate, \$500, 2006
Claire McCaskill for Senate, \$500, 2006

Fiona Ma for CA Assembly, \$250, 2006
 Cindy Chavez for Mayor (San Jose, CA), \$1,000, 2006
 Hillary Clinton for President, \$500, 2007
 Democratic Congressional Campaign Committee, \$500, 2007
 Mary Jung for Democratic Party Central Committee, SF CA, \$50, 2008
 Committee to Re-Elect Supervisor Scott Haggerty (CA), \$500, 2008
 PODER PAC (Washington DC), 2008, \$200
 Obama Victory Fund, \$3,500, 2008
 Barbara Lee for Congress, \$1,200, 2009
 Democratic Senatorial Campaign Committee, \$1,000, 2009

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

Harvard College Scholarship
 Harvard Dean's Award for Race Relations
 Silver Medal Award, Royal Society of the Arts

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

None

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with **two** copies of each formal speech.)

None

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

My background and experience in investments, real estate, capital markets and community development make me uniquely qualified to serve my country in the position of Treasurer of the United States. Arguably, our country has never faced a more uncertain time in its economic history. Now more than ever, Americans are looking to the federal government for leadership through incentives, regulation and information to resolve the current economic crisis. As one of the main stewards of the American Reinvestment and Recovery Act, the Treasury Department's role is incredibly important. With this increased responsibility comes an increase in expectations, including in the areas of financial education and financial literacy. As an economic development practitioner I have worked in multiple communities to revitalize their local economies. Through this experience, I am able to understand and articulate the goals and objectives of the Administration and articulate the priorities of an effective financial literacy and education strategy in collaboration with other agencies and departments.

As a key advisor and spokesperson for the Department, the Treasurer of the United States has a significant obligation to assist the Office of Financial Education to create and disseminate financial information that the public needs and demands. Almost half of my career has been spent in the public sector designing and implementing programs, initiatives and strategies to encourage business attraction, retention and expansion to stimulate job creation and increase local revenues. This particular background was very helpful in my responsibilities as a member of the Treasury Transition Team as I oversaw all the external stakeholder outreach on behalf of Treasury and the Federal Reserve Agency Review Team. I had the opportunity to work with over 100 constituency and interest groups who wanted to relay their suggestions, recommendations and concerns to Treasury and the new administration. This information has placed me at the forefront of understanding the needs of the financial community and other stakeholders who would like to recommend various strategies and policy recommendations for consideration. In addition, I have played a significant role as a community leader both in my personal and professional life. The position of the Treasurer of the United States will allow me to serve as a representative of Treasury and the administration with the same passion, initiative, and determination that I have demonstrated in my career and have brought to my work on the Treasury Transition Team..

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.
Yes.
2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.
No.
3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.
No.
4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.
Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which

could involve potential conflicts of interest in the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Treasury Department's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Treasury Department's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

As a volunteer with the Willie Brown Institute on Politics and Public Service, from June 2005 to October 2005, I facilitated the planning for two of their one-day symposiums, one regarding the Community Reinvestment Act and one for Proposition 71 (CA stem cell funding). All activities were non-partisan.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with **two** copies of any trust or other agreements.)

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Treasury Department's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have

entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

5. **Two** copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.
6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

N/A

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No.

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

No.

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

My husband and I participated in a class action settlement as part of our neighborhood action against our homebuilder, Shapell Industries of Northern California, for construction defects. A quick settlement was reached by all parties in 2003.

In 1995, my husband and I were plaintiffs in a small claims action in Alameda County, CA, against 5A Rent a Space. We brought the action after our belongings were stolen from a storage space. On appeal, judgement was entered for the defendant.

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

No.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

None

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes.

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

Yes.

**Questions from Chairman Baucus
Nominations Hearing
July 14, 2009**

Questions for Rosa Rios

Question 1:

As U.S. Treasurer, you will be responsible for the U.S. Savings Bond Program. A responsible savings program helps folks put away money for a home, college tuition, retirement and other priorities.

Helping individuals put away money for a home, college tuition, retirement and other priorities are very important factors to helping our financial stability.

The Office of Debt Management is the area within Treasury which is responsible for the U.S. Savings Bond program. I will, of course, work closely with my colleagues in that office to offer constructive advice regarding the program given my experiences and also keeping in mind their goal of the lowest cost of borrowing for the taxpayer.

a. Do you believe that the U.S. savings rate is adequate? What is an appropriate savings rate?

As you know the savings rate has risen from close to zero to almost 7% in the United States as the financial crisis has evolved. I am not an economist by training, so I should not opine on a specific rate that is preferable.

Recently, families and individuals have begun reducing debt that has been accumulated on auto loans, student loans, and credit card loans by paying back debt and saving more. These actions should help put us on more solid financial footing as we recover from the recession.

b. To what extent do you think inadequate savings rates contributed to the current economic problems our country is facing?

As you know, for many years, Americans had a tendency to spend more than they saved. As the recession has hit Americans from all walks of life, the propensity to save more may actually once again put us in a better place once a recovery takes place.

With increased savings, Americans can more confidently and proactively address future liabilities such as college tuitions for their children, retirement spending, health related costs, and other potential needs.

c. Tell us how you can use the U.S. Savings Bond Program as a vehicle to improve the rate of savings in our country.

It is my understanding that the Treasury Department remains committed to ensuring that the savings bond program is accessible to a broad set of American citizens. In that

regard, the Treasury Department has recently implemented better technology to broaden access to the program and make it easier for individuals to purchase savings bonds, and ultimately, save for future needs.

The Department's outstanding TreasuryDirect online system allows any individual to open an account for free, log on, and purchase savings bonds one at a time, or even automatically deduct a portion from one's account to place into savings bonds.

These changes greatly enhance accessibility to the program, particularly for those individuals who need it most.

Moreover, the Treasury Department has made yet another avenue available for Americans seeking to save by lowering the minimum denomination of bids in Treasury auctions to \$100 from \$1000. Now, Americans can purchase highly liquid Treasury securities – just like major institutions and investors – at no cost through the TreasuryDirect online program.

Just like savings bonds, this debt can be purchased individually, or can be set up on a recurring basis to promote increased savings. Such securities are easily available for sale if a need arises.

By updating our technology and promoting a “savings” mentality in Americans, we can continue to make savings bonds accessible to individuals while setting a strong foundation as America recovers from this difficult recession. At the same time, the Department will follow its objective of the seeking lowest cost of borrowing over time.

Question 2:

As U.S. Treasurer, you will be responsible for promoting financial education and literacy in the U.S.

- a. What is financial education and literacy? What is the result of improved financial literacy and who benefits from it?**

The Financial Literacy and Education Commission, a 20-federal agency group led by the Department of the Treasury, defines “financial literacy” and “financial education” as follows:

Financial literacy is the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being.

Financial education is the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being.

Improved financial literacy benefits individuals, families, communities, and our nation as a whole. Financially literate individuals are better able to responsibly finance the purchase of a home or a car; financially literate parents are better able to finance their childrens' educations and help their children stay in school; financially literate Americans are better able to save for secure retirements, ensure household financial stability, and make the right financial choices for themselves and their families. When individuals and families are empowered to make better financial choices, community benefits can include reduced foreclosures and more stable populations. For all of these reasons, increased financial literacy among Americans can help to ensure the future stability of the American economy.

b. To what extent do you think inadequate financial education and literacy contributed to the current economic problems our country is facing?

Improved financial literacy could have helped many Americans avoid the difficult economic situations in which many now find themselves. For example, with better financial education, many homeowners might have avoided purchasing mortgages that they didn't fully understand, whether they were legitimate or fraudulent. In addition, if Americans had been empowered to make better choices, many families might have been better prepared to deal with the economic downturn when it began, through increased savings and other means. Moving forward, financial education and literacy will be important elements in ensuring financial stability.

c. Tell us how you will promote and improve the quality of financial education and literacy in our country.

If confirmed, I intend to work closely with Congress, Treasury's Office of Financial Literacy, the Financial Literacy Education Commission, and the President's Advisory Council on Financial Literacy to help ensure that this Administration pursues policies that are effective in not only increasing the knowledge of the American people, but in empowering them to make better decisions. I want to ensure that every federal agency considers the opportunities to incorporate financial education into its own initiatives.

The Federal government has an important role to play in leading efforts to improve financial education and financial literacy – but it cannot do this alone. Therefore, if confirmed, an important goal will be to ensure that the Federal government works closely with state and local governments, non-profits and the private sector to ensure that our financial education efforts are as effective and efficient as possible.

**Questions for the Record
For Ms. Rosa Rios
Senator Chuck Grassley
July 14, 2009**

1. As you may be aware, I am very active and engaged in oversight of various executive branch agencies. The primary way I conduct oversight activities is to write letters asking detailed questions and requesting Department documents. While Secretary Geithner has assured me that he will respond to my inquiries in a full and timely manner, I would hope to get the same assurance from you. Can I get that commitment from you today?

Yes.

2. In terms of financial education, what specific ideas or policies will you pursue in order to improve financial literacy? What behaviors do you believe ought to be encouraged and discouraged by effective financial education?

I intend to work closely with Congress, Treasury's Office of Financial Literacy, the Financial Literacy Education Commission, and the President's Advisory Council on Financial Literacy to ensure that this Administration pursues policies that are effective in not only increasing the knowledge of the American people, but in empowering them to make better decisions. I want to ensure that every Federal agency considers how financial education might be incorporated into its own initiatives. In addition, I agree with this Administration's view that financial access is an important issue that we need to do a better job of addressing – and one that ties closely to financial education.

In terms of behaviors, there are some fundamental concepts that all people should know to guide their financial decision-making. In general, we should encourage people to seek adequate information before making financial decisions, to ensure that they understand the choices available to them, and the impact of their decisions on their current and future financial situations. We should also make it easier for people to access such information. If confirmed, I will aim to empower people with the knowledge and ability to make the best financial decisions for their own circumstances.

3. In your written testimony you say that "Public/private partnerships are the key to our solutions." Please expand upon this comment and describe how you would seek to utilize public/private partnerships if confirmed.

The Federal government has an important role to play in leading efforts to improve financial education and financial literacy – but it cannot do this alone. Therefore, it is essential that the Federal government works closely with state and local governments, non-profits and the private sector to ensure that our financial education efforts are as effective and efficient as possible.

Opening Statement of Daniel M. Tangherlini
Nominee for Assistant Secretary of the Treasury for Management
and Chief Financial Officer
Senate Committee on Finance
July 14, 2009

Chairman Baucus, Ranking Member Grassley, distinguished members of the Committee, I am honored to have my nomination come before you today. I am grateful to President Obama and Secretary Geithner for asking me to serve at the Treasury Department at this critical moment for our nation's economy. I also want to thank your staff for meeting with me this week and discussing management issues and my qualifications for the position for which I have been nominated.

I am particularly grateful to my wife of 14 years, Theresa, and to our children, Cassandra (12) and Francesca (9), for their support and willingness in allowing me to continue to serve in government with all its attendant sacrifices. Theresa serves in her own way, as a pediatric nurse practitioner in private practice in suburban Virginia. Cassandra and Francesca are committed students, girl scouts and soccer players.

I cannot say that service to our Nation and our people is an idea I came to on my own. My family has a long tradition of public service. My grandfather, who immigrated to this country from Italy, served in the Army during the First World War, was wounded in battle, and later spent his career as a machinist at the Charlestown Navy Yards in Boston. My father followed him into the Army and fought in the Second World War, including the Battle of the Bulge. He later worked on the long-term defense of our nation by studying inertial guidance systems both in graduate school and when he worked as a defense contractor. My uncle worked as a civilian in the Navy for his career. And my brothers both serve: my younger brother as a Paramedic/Firefighter in San Francisco and my older brother as a professor at UCLA.

I came to Washington in 1991 eager to work in government and serve the Nation. As a newly appointed Presidential Management Fellow, I accepted my first job with the Office of Management and Budget as a Budget Preparation Specialist. I stayed at OMB for six years, working in a variety of capacities, including a year as a special assistant to the Associate Director for General Government and Finance. After my next job with the U.S. Department of Transportation, I began what would become a 10-year stint with the Government of the District of Columbia – not including nearly a year that I spent with Metro. Working for Mayor Williams and, later, Mayor Fenty, I had the pleasure to watch the fortunes of our Nation's Capital turn nearly full-circle. I also learned the significant role government can play in people's lives – both positive and negative.

I bring to this challenge nearly twenty years of experience from not just working in government, but experience in working to change government for the better. In my work as Chief Financial Officer at the Metropolitan Police Department I learned that strong programmatic financial management is the key to unlocking greatly improved results. I also gained my first experience as a manager, during which time I learned that all employees have skills and talents that great organizations learn to encourage, support and leverage. As Director of the Department of Transportation I learned that challenges are also opportunities and that high-quality, personalized customer service will go a long way toward building the support and credibility one needs for the hard choices. This lesson was reinforced for me every day when I served as Interim General Manager at Metro, where I was responsible for safely and efficiently moving more than 1 million people a day to and from their destinations. Most recently, as City Administrator/Deputy Mayor, I was continually reminded how precious are the resources – human capital, financial, and otherwise – that we are entrusted with by the public, and how powerful our responsibility is to use them as efficiently and effectively as we can.

I am humbled and honored to have the possibility of serving the nation in this new capacity should I be confirmed. If you and your colleagues in the Senate give me the opportunity to serve as Assistant Secretary for Management and Chief Financial Officer for the United States Treasury Department, I promise to apply myself fully to the best of my ability to justify your trust and confidence.

Thank you for allowing me to appear before you today. I would be pleased to answer any questions.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)
Daniel Mark Tangherlini
 - frequently called: Dan
 - for a period of time (roughly 1985 to 1990) I included my mother's maiden name:
Daniel Mark Kjems Tangherlini
2. Position to which nominated:
Assistant Secretary of Treasury for Management/CFO
3. Date of nomination: June 3, 2009
4. Address: (List current residence, office, and mailing addresses.)
Home and mailing address:

Work:
5. Date and place of birth:
September 14, 1967
Copenhagen, Denmark
6. Marital status: (Include maiden name of wife or husband's name.)

7. Names and ages of children:
8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)
- Auburn Senior High School, Auburn, MA (1981-1983)
 - Milton Academy, Milton, MA (1983-1985), High School Diploma (June 1, 1985)
 - The College, University of Chicago (1985-1990), Bachelor of Arts (March 16, 1990)
 - The Harris School of Public Policy Studies, University of Chicago (1990-1991), Masters of Arts (June 14, 1991)
 - The Wharton School, University of Pennsylvania (1999-2001), Masters of Business Administration (May 21, 2001)
9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)
- Chicago Park District, Intern/Consultant, Chicago, IL, Oct. (est.) 1990 – June 1991
 - Office of Management and Budget, Budget, Washington, DC (July 1991- July 1997)
 - o Budget Preparation Specialist, 1991-1992
 - o Program Examiner (Transportation branch), 1992-1994
 - o Special Assistant to Resource Management Officer (RMO), 1996-1997
 - U.S. Department of Transportation, Program Analyst, Washington, DC, Aug. 1997 – Nov. 1998 (Detailed to DC Chief Financial Officer March 1998 – November 1998)
 - District of Columbia Office of the Chief Financial Officer, Deputy CFO (detail)/CFO Metropolitan Police Department, Washington, DC, March 1998 – May 2000 (Detailed from US Department of Transportation March 1998 – November 1998.)
 - District of Columbia Department of Public Works, Acting Director Division of Transportation, Washington, DC, May 2000 – Nov. 2002
 - District of Columbia Department of Transportation, Director, Washington, DC, Nov. 2002 – Feb. 2006
 - Washington Metropolitan Transit Authority, Interim General Manager, Washington, DC, Feb. 2006 to Nov. 2006
 - Fenty Transition Inc., Co-Chair Transition Team, Washington, DC, Nov. 2006 – Jan. 2007
 - Government of the District of Columbia, City Administrator/Deputy Mayor, Washington, DC, Jan. 2007- June 2009

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

Below is a list of other government-related activities. I no longer have any official relationship with any of these organizations:

- Alternate Board Member, Washington Metropolitan Area Transit Authority
- Board Member and Vice Chair, Washington, DC Water and Sewer Authority (committees include: Finance and Budget and Retail rates)
- Board Member, Washington Metropolitan Area Council of Governments (committees include: Chief Administrative Officers, Air Quality and Homeland Security)
- Co-Chair, Washington DC Criminal Justice Coordinating Council
- Co-Chair, Interagency Council on Homelessness
- Mayor's Representative, Eastern Market Citizens' Advisory Commission

11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

Below is a list of ex-officio positions I have held with non-government enterprises. I no longer have any connection or relationship with any of these organizations.

- Board Member, Northwest One/Temple Courts Redevelopment Corporation
- Board Member, American Public Transit Association
- Board Member, American Association of State Highway and Transportation Officials
- Board Member, President and Vice President, Northeast Association of State Transportation Officials
- Board Member, Union Station Redevelopment Corporation

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

- Member, Leadership Greater Washington
- Member, District Sports (weekend soccer league)
- Member, Congressional Cemetery K-9 Corps
- Inactive Member, Lambda Alpha Land and Economics Society
- Member, Cheverly Swim and Racquet Club
- Former Member, Stanton Park Neighborhood Association
- Former Member and Board Member, Capitol Hill Restoration Society

- Parishioner, St. Peters on Capitol Hill
- Parishioner, St. Josephs on Capitol Hill

13. Political affiliations and activities:

a. List all public offices for which you have been a candidate.

None

b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

- Campaign Leafleting, Obama for President (2008)
- Campaign Leafleting, Kerry for President (2004)
- Campaign Leafleting/Poll Watching, Williams for Mayor (2002)

c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.

Obama for President	\$250	(2008)
Gray for Council Chair (DC)	\$100 est.	(2006)
Kerry for President	\$250 est.	(2004)
Williams for Mayor (DC)	\$85	(2003)

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

Scholarships and Fellowships:

- Gannet Scholarship, Milton Academy
- Noyes Scholarship, University of Chicago
- Gruss Fellowship, University of Pennsylvania

Awards and Commendations:

- Lido Civic Club of Washington DC, Italian-American Man of the Year, 5/24/09
- Capitol Hill Community Foundation, Capitol Hill Community Achievement Award, 5/14/08
- Anacostia Community Boathouse Association, Boathouse Champion Award, 2008
- Washington Regional Network and Coalition for Smarter Growth, Livable Communities Leadership Award, 2007
- American Association of State Highway and Transportation Officials, Commendation (in recognition of exemplary service), 6/29/06

- District Department of Transportation (DDOT), Civil Rights Advocacy Award, 2/9/06
 - Advisory Neighborhood Commission 2E, Community Commendation, 1/31/06
 - Lambda Alpha Land and Economics Society, International Public Official Award, 2005
 - Golden Triangle Business Improvement District, Golden Best Award, 2005
 - International Society of Arboriculture, Gold Leaf Award (for Outstanding Landscape Beautification Activities), 2005
 - Georgetown Civic Association, Commendation (for thoughtful and responsive management), 7/27/05
 - Georgetown Business and Professional Association, Commendation (for rebuilding the District Department of Transportation and providing outstanding service), 3/16/05
 - Downtown Business Improvement District, Momentum Award, 2003
 - District of Columbia Department of Personnel, Certificate of Excellence, 7/1/03
 - U.S. Department of Transportation, Find the Good and Praise It Award, 1999
 - Office of Management and Budget, Cross-Cutting Group Award, 7/9/97
15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

"Answering the Call: One Way for District Government to Quell Critics," The Washington Post, B08, June 10, 2007. (Op-ed)

"MetroAccess is Getting Better," with Jon Monson, The Washington Post, A14, March 13, 2006. (Letter to the Editor).

"What the District is Doing to Prepare," The Washington Post, A19, October 8, 2005. (Op-ed)

Design-Build Delivery Method for Rehabilitation of Urban Roadways (with others), *Design-Build Dateline*, Design-Build Institute of America, November 2005

"A Second Chance to Get it Right," The Washington Post, B08, July 31, 2005. (Op-ed)

"Operation Hotmix': The Whole Story," with Leslie Hotaling, The Washington Post, A34, April 23, 2003. (Letter to the Editor)

"Why We Should Reopen E Street," The Washington Post, A12, March 31, 2003. (Letter to the Editor)

"Why K Street Needs Bus Lanes," The Washington Post, A18, September 16, 2003. (Letter to the Editor)

"Smoother Streets," The Washington Post, B08, August 20, 2000. (Op-ed)

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with **two** copies of each formal speech.)

None that are directly applicable to the position for which nominated. However, I have provided a list of possibly relevant testimony.

Testimony:

March 22, 2002

Mayor's Fiscal Year 2003 Budget Request Act: Department of Transportation
Council of the District of Columbia, Committee on Public Works and the Environment

March 4, 2003

Oversight on Fiscal Year 2002 Spending and Program Implementation:
Department of Transportation
Council of the District of Columbia, Committee on Public Works and the Environment

April 2, 2003

Mayor's Fiscal Year 2004 Budget Request Act: Department of Transportation
Council of the District of Columbia, Committee on Public Works and the Environment

February 10, 2004

Oversight on Fiscal Year 2003 Spending and Program Implementation:
Department of Transportation
Council of the District of Columbia, Committee on Public Works and the Environment

March 2, 2005

Oversight on Fiscal Year 2004 and Fiscal Year 2005 Spending and Performance: Department of Transportation
Council of the District of Columbia, Committee on Public Works and the Environment

February 5, 2007
Fiscal Year 2006 Comprehensive Annual Financial Report
Council of the District of Columbia

April 24, 2007
Fiscal Year 2008 Budget Support Act of 2007
Council of the District of Columbia

November 13, 2007
Bill 17-445, Fiscal Year 2008 Supplemental Appropriations Act of 2007
Council of the District of Columbia

April 2, 2008
Budget of the Office of the City Administrator for Fiscal Year 2009
Council of the District of Columbia, Committee on Public Works and the
Environment

April 14, 2008
Fiscal Year 2007 Comprehensive Annual Financial Report
Council of the District of Columbia

April 25, 2008
Fiscal Year 2009 Budget Support Act
Council of the District of Columbia

October 17, 2008
Fiscal year 2009 Gap Closing Proposal
Council of the District of Columbia

February 11, 2009
Priorities for the Use of Potential Funds for the District of Columbia from Federal
Economic Stimulus Legislation
Council of the District of Columbia

March 17, 2009
Strategy for use of "American Recovery and Reinvestment Act of 2009" Funds
by the District of Columbia
Council of the District of Columbia

March 31, 2009
Budget of the Office of the City Administrator for Fiscal Year 2010
Council of the District of Columbia, Committee on Public Works and the
Environment

April 23, 2009
Fiscal Year 2010 Budget Support Act
Council of the District of Columbia

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

In nearly twenty years of public service at the local, state and federal levels I have gained broad experience in resource and program management that well prepares me for the challenges of this important position. My educational background in both public and business administration provides me with the academic grounding and theoretical tools to support my work. In addition, my experience leading change in management capacities of increasing responsibility provides me with an experience base that prepares me for the challenges I will face. Also, my work in developing and executing budgets with a focus on resource management and economies will help prepare me for my task as CFO. Finally, my interest in relentlessly pursuing enhanced outcomes and operational improvements will support the efforts of the Administration, the Secretary and the Congress in ensuring that the precious public funds entrusted to the Treasury Department are used in a way that maximize quality outcomes.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

Yes

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

None

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

No

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

Yes

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Treasury Department's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Treasury Department's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

As an employee of the District of Columbia Government I have provided information and advocacy for efforts related to District of Columbia appropriations, as well as transportation-related authorization and appropriations bills or oversight.

As an employee of the Washington Metropolitan Transit Authority I have provided information and advocacy in support of legislation (dedicated funding) and transit-related authorization and appropriations.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with **two** copies of any trust or other agreements.)

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Treasury Department's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

5. **Two** copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.
6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

N/A

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

No

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

Yes, in my various official capacities I have been party to a number of administrative or legal proceedings:

- Unfair Labor Practices lawsuit filed in May 2009 with DC Superior Court by the Fraternal Order of Police, naming the Chief of Police, the Mayor, myself and others. The claim is that the Mayor's Administration is bargaining in bad faith by not setting aside funds in FY10 for a yet-to-be-negotiated pay raise. This case is pending.
- Civil, class-action litigation against the Washington Area Metropolitan Transit Authority related to quality of paratransit services. This case was begun in 2006 and settled in 2008.
- In my various management roles, I have been named as a party in several wrongful termination suits, both in the form of administrative actions and litigation:
 1. In February of 2001, I was named as the deciding official in a wrongful termination suit by an employee. The Office of Employee Appeals ("OEA") issued an order to reinstate the employee. The City of Washington, DC is contemplating further appeal.
 2. In February of 2001, I was named by an employee in a wrongful termination and employment discrimination suit as the deciding official and subject of the discrimination charge. The case was before the OEA, Equal Employment Opportunity Commission ("EEOC") and finally in Federal Court. The case was dismissed in its entirety in June of 2005.
 3. In March of 2001, I was named in a wrongful termination suit by an employee as the deciding official. The employee pursued his charges up through the DC Court of Appeals and his termination was upheld at each level and for the last time in February of 2006.
 4. In November of 2004, I was named by an employee in a wrongful termination suit as the deciding official. That action is currently pending before the OEA.
 5. In April of 2005, I was named by an employee in a wrongful termination and employment discrimination suit that was before the EEOC and the OEA. I was named as the deciding official and the subject of the discrimination charge. In June and July of 2007, the

termination was upheld and charge of discrimination dismissed before the EEOC and OEA respectively.

6. In July of 2005, I was named in a wrongful termination suit by an employee as the deciding official. The City of Washington, DC is appealing the case to the DC Superior Court.

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

No

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

None

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

Yes

**Questions from Chairman Baucus
Nominations Hearing
July 14, 2009**

Questions for Daniel Tangherlini

Question 1:

The Assistant Secretary of the Treasury for Management and Chief Financial Officer is responsible for developing Treasury's budget as well as oversight of information technology, human resources and strategic planning at the Department. Since the IRS comprises approximately 90% of Treasury's resources, this position has significant effect on tax administration.

- a. What do you think are the biggest challenges the IRS faces? How will you determine the strategic priorities for the IRS? How "hands-on" do you expect to be in your oversight of the IRS?**

Based on my conversations with the IRS, Treasury leadership and staff, as well as your comments and Ranking Member Grassley's comments as a guide, I believe that the IRS faces the following key challenges: 1) Collecting all the revenue that is owed to the United States Government in a fair and effective way (the tax gap); 2) Balancing enforcement and customer service in a way that maximizes voluntary compliance; 3) Marshaling technology to assist the organization in meeting its mission and addressing its challenges; and 4) Developing and executing a human capital plan that ensures that IRS has enough of its most valuable resource: high quality employees. The strategic priorities are derived from these challenges as well as performance measures, citizen, Congressional, and Oversight Board input. Should I be confirmed as the Assistant Secretary for Management and CFO, I intend to be very involved, very "hands-on" in working with the IRS on developing and implementing the best possible program. I have begun building a strong relationship with IRS leadership and look forward to the opportunity to work closely with them.

- b. The IRS estimates the tax gap, the difference between the taxes legally owed and the amounts timely paid, to be \$345 billion each year. How will the tax gap influence your priorities when developing the IRS budget? What is the appropriate allocation of IRS funding among service, enforcement and information technology improvements?**

The tax gap is one of the key measures of IRS organizational success, and narrowing the gap has to be a high priority. A good budget is one that is built around addressing priorities. Therefore, I would work closely with Treasury and IRS leadership to build a budget that focuses resources on organizational priorities, specifically the tax gap. To do so will require that the right balance is struck between customer service, enforcement and technology investment – and that those three key investment areas work to support each

other. For example, investments in technology should demonstrably assist enforcement and customer service.

- c. Some of the IRS computers and technology date back to the early 1960s. How important is up-to-date technology to tax administration? How quickly can the IRS information technology be modernized so the IRS can collect and analyze data more efficiently and effectively?**

Technology needs to address and support an agency's priorities and mission. Replacing systems in a careful, considered and prioritized fashion is necessary to ensure that the best results are realized from that investment. I understand that these two key considerations have not always guided the IRS in their technology renewal program. I will work with Treasury and IRS leadership to help develop the best strategy for these investments that allows stakeholders to see their value in terms of improved service. Goals and deadlines need to be developed, set and measured that allow stakeholders to track progress on investments and their delivery. However, one must also recognize that technology investment is an ongoing and continual process of refresh, renewal, upgrade and enhancement.

- d. Many experienced employees at the IRS are nearing retirement age. What can the IRS do to retain its experienced employees after they become retirement-eligible? How can the IRS attract and retain the best and the brightest new employees?**

Human capital planning is a key challenge facing the entire Federal Government. Large percentages of our Federal workforce, including those at the IRS, are nearing retirement age or eligible to retire. With the departure of these individuals the IRS stands to lose the benefit of their accumulated experience, knowledge and skill. Creative efforts that recognize this value and seek to retain, collect and share it need to be reinforced and developed. Through developing human capital planning efforts that focus on the skills of those people IRS may lose to retirement and attrition, the organization can develop specific programs to retain those employees, transfer their knowledge and recruit potential replacements. Attention though, needs to be paid to the quality of the workplace; pay and scheduling fairness and flexibility; speed of hiring; and organizational mobility and career paths.

Retaining high-value, retirement eligible employees will require both an organization-wide effort to develop systems that recognize these individuals' skills and value and a person-specific negotiation that addresses that individual's interests with a goal of keeping them on the team. A human capital system that works at both the organizational and individual level is key to attracting the best new employees as well.

**Questions for the Record
For Mr. Daniel Tangherlini
Senator Chuck Grassley
July 14, 2009**

- 1. As you may be aware, I am very active and engaged in oversight of various executive branch agencies. The primary way I conduct oversight activities is to write letters asking detailed questions and requesting Department documents. While Secretary Geithner has assured me that he will respond to my inquiries in a full and timely manner, I would hope to get the same assurance from you. Can I get that commitment from you today?**

Yes, I will commit to respond to your inquiries in a full and timely manner.

- 2. What do you see as your biggest challenges throughout the Treasury Department, and how will you divide your time between the various agencies and bureaus, such as the IRS, that constitute the Treasury Department?**

The key challenge that the Treasury Department faces is ensuring that the taxpayer resources in which it is entrusted are used as efficiently and effectively as possible. This challenge takes several forms, such as information technology investment and developing the best possible human capital management plan. In order for Treasury to meet this challenge, though, we need to develop meaningful performance goals and measures that allow us to track agency performance toward an agreed upon outcome. In working on these challenges, should I be confirmed, I intend to strike a balance between working with all the offices and bureaus and working on those issues that need the most attention, as well as where the most benefit can be realized. Given IRS' sizable portion of the budget, I recognize that a considerable portion of my time and energy will be spent on issues related to that bureau. However, given the common nature of the key organizational challenges, lessons learned from one bureau or office will likely be useful for another. I will look for ways to work both within and across offices and bureaus to ensure that we realize the full value of the entire Department of Treasury.

**Opening Statement of William J. Wilkins
Nominee for Chief Counsel, Internal Revenue Service
And an Assistant General Counsel, Treasury Department
United States Senate Committee on Finance
July 14, 2009**

Thank you Chairman Baucus, Ranking Member Grassley, and members of the Senate Finance Committee, for the opportunity to appear before you today. I am honored to have been nominated by President Obama to serve as IRS Chief Counsel. I am grateful to Commissioner Shulman and to Secretary Geithner for recommending me to the President.

I am also pleased to be able to return to this hearing room. I will always treasure my experience of working on the staff of this Committee. If confirmed, I will certainly value open communications with the Committee on Finance.

Let me also express my gratitude to my family for their support as I begin this new challenge. My wife Gail is with me here today. Gail and I have one son, Sam, who is in the class of 2011 at West Point. Right now, Sam is at the Academy helping conduct basic training for the entering class of 2013.

Regarding my own experience and qualifications, I have practiced tax law for 32 years. As I mentioned, I worked on the Finance Committee Democratic staff from 1981 to 1988. I initially worked on the tax staff under Senator Russell Long; and following the 1986 elections and Senator Long's retirement, I was Staff Director and Chief Counsel under Chairman Lloyd Bentsen. The Tax Reform Act of 1986 was the tax policy highlight of these years, but there were several other significant tax measures enacted as well.

I have also worked in two outstanding private law firms. I have been a partner at my current firm, Wilmer Cutler Pickering Hale and Dorr, since leaving the Finance Committee staff in 1988. I have advised for-profit and nonprofit clients on a broad variety of tax compliance, tax planning, and transactional issues.

I have also been active with the Section of Taxation of the American Bar Association. I am currently Chair of the Section, and I served in several other Section offices prior to becoming Chair last August. The Section of Taxation is the country's largest association of tax lawyers, with over 20,000 members. I believe the Section makes a great contribution to the tax system through outstanding legal education, providing support for tax pro bono activities, and thoughtful participation in the tax guidance process. It has been a privilege to lead the Section over the past year. My term as Chair is nearly complete; and in any event I would not hold any Section office while I was a government employee.

The IRS Chief Counsel has significant responsibilities for administration of the tax system. The Office of Chief Counsel has approximately 2,300 employees, including approximately 1,600 lawyers. The Chief Counsel's office provides legal advice to the Commissioner and to the operating divisions of the IRS; litigates cases in the Tax Court; works closely with the Department of Justice on tax-related matters before other federal courts; formulates overall litigation strategy; and writes regulations and other guidance implementing tax laws enacted by the Congress. The work of the Chief Counsel's office calls for technical expertise; interpersonal skills in dealing respectfully and effectively with counterparts inside and outside the government; and above all, sound judgment. If confirmed, it is my goal to provide the leadership necessary for the Office of Chief Counsel to demonstrate the highest levels of skill and judgment in carrying out its important responsibilities.

Thank you again for the opportunity to appear before you today.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.) **William J. Wilkins**
2. Position to which nominated: **Chief Counsel, Internal Revenue Service**
3. Date of nomination: **May 12, 2009**
4. Address: (List current residence, office, and mailing addresses.)
Residence:

Office:

Mailing:
5. Date and place of birth: **October 4, 1952, Greensboro, NC.**
6. Marital status: (Include maiden name of wife or husband's name.)
7. Names and ages of children:
8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

**Yale University, 1970-1974, Bachelor of Arts degree, June 13, 1974
Harvard University School of Law, 1974-1977, Juris Doctor degree, June 16, 1977**

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)
- June-August 1974: Harvard Book Store, Cambridge MA, assistant to accountant.**
June-August 1975: Block, Meyland & Lloyd, Greensboro, NC, law firm summer associate.
June-August 1976: Goodwin, Procter & Hoar, Boston MA, law firm summer associate.
1977-1981: King & Spalding, Atlanta GA, associate attorney.
1981-1988: U.S. Senate Committee on Finance, Democratic staff. Positions were Minority Tax Counsel (1981-1984), Minority Chief Tax Counsel (1984-1987), and Staff Director/Chief Counsel (1987-1988).
1988-Present: Wilmer Cutler Pickering Hale and Dorr LLP (previously Wilmer, Cutler & Pickering), Washington DC, partner
10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)
- None.**
11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)
- Partner, Wilmer Cutler Pickering Hale and Dorr LLP.**
12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)
- Member, DC Bar and Georgia Bar
Chair (2008-2009), American Bar Association Section of Taxation
Fellow, American College of Tax Counsel
Member, Chevy Chase Club**
13. Political affiliations and activities:

- a. List all public offices for which you have been a candidate. **None.**
- b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years. **None.**
- c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.

<u>Candidate/Office</u>	<u>Contribution</u>	<u>Year</u>
Bill Bradley/President	\$1000	1999
Charles Rangel/House	\$1000	1999
Kent Conrad/Senate	\$250	1999
Paul Sarbanes/Senate	\$250	1999
Tim Johnson/Senate	\$500	2000
Cong. Majority Cmte.	\$1000	2001
Charles Grassley/Senate	\$1000	2001
Max Baucus/Senate	\$1000	2001
John Breaux/Senate	\$1000	2002
Jack Reed/Senate	\$500	2002
Max Baucus/Senate	\$1000	2003
Blanche Lincoln/Senate	\$500	2003
Narragansett Bay PAC	\$500	2005
Jeff Bingaman/Senate	\$500	2005
Kent Conrad/Senate	\$1000	2005
Jay Rockefeller/Senate	\$1000	2006
Charles Rangel/House	\$1000	2006
Brad Miller/House	\$250	2006
Sherrod Brown/Senate	\$1000	2006
Sherrod Brown/Senate	\$1000	2006
Max Baucus/Senate	\$1000	2006
Ken Salazar/Senate	\$1000	2007
Barack Obama/President	\$50	2008

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

None.

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

"Looking At The Law: How Do Tax Laws Reflect American Values,"
(Interview), *Social Studies Journal*, March 2009.

"From The Chair," Section of Taxation News Quarterlies, Fall 2008 and Winter 2009.

"Questions and Answers For the Tax Practitioner," Chapter in Potter and Birkendale (editors), *Political Activity, Lobbying Laws and Gift Rules Guide* (3rd Ed. 2008).

"Taming the Individual Alternative Minimum Tax," *Business Entities*, May-June 2000.

"What Will Congress Do About Corporate Tax Shelters?" *Business Entities*, November-December 1999.

"Treatment of Individual Investment and Borrowing Under Alternative Tax Systems," Chapter in *Comprehensive Analysis of Current Consumption Tax Proposals* (American Bar Association 1997) (Co-Author).

"Memorandum to Congress: You Wouldn't Like Worldwide Formula Apportionment," *Tax Notes Today*, Dec. 7, 1994 (Co-Author).

"The Clinton Health-Care Reform Package Would Enable the IRS to Reclassify Workers' Status to Prevent Misclassification," *Legal Times*, March 21, 1994 (Co-Author).

"NCNB Texas Ruling Breaks New Ground," *40 Tax Notes* 1417 (Sept. 26, 1988) (Co-Author).

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with **two** copies of each formal speech.)

None.

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

I have practiced tax law for 32 years, including private sector and government tax practice. I am currently Chair of the ABA Section of Taxation, the nation's largest organization of tax lawyers, having approximately 20,000 members. The Section provides continuing legal education at a variety of meetings and seminars; provides comments on proposed regulations and other tax policy issues; and supports a variety of

tax law pro bono activities. My Senate Finance Committee experience includes participation in the major tax acts of 1981, 1982, 1984, and 1986. My private sector experience includes providing compliance and transactional advice to tax exempt organizations, corporations, and partnerships; and assisting clients in connection with IRS audits and Congressional investigations.

This experience has prepared me to provide legal advice to the Commissioner; to supervise the work of other lawyers in the Office of Chief Counsel; to supervise and participate actively in the development of tax guidance and litigation strategy; and to maintain effective communications with important contacts in the Congress, in the Departments of Treasury and Justice, and with international counterparts.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

Yes, I will sever all connections with my law firm. Following resignation, I will receive repayment of my capital account, my pro rata 2009 profit distribution, early retirement payments, and retirement plan payments, pursuant to the partnership agreement and standard firm practice. I will also divest my interest in the defined benefit plan and will roll out of the 401(k) plan.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

No.

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

No.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Treasury Department's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Treasury Department's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

A. In 2001, I advised Boeing Aircraft Company on the application of the netting of interest charges on tax obligations and refunds. This included meetings with Congressional staff, Treasury, and IRS.

B. In 2002, I advised a coalition of manufacturers on legislative responses to the WTO determination that U.S. Foreign Sales Corporation tax law violated international trade obligations. This included meetings with Congressional staff.

C. In 2001 and 2002, I advised a coalition of foreign airlines on application of the federal excise tax on transactions involving frequent flyer miles. This included meetings with Congressional staff.

D. In 2002, I advised Tyco on proposed legislation on corporate "inversion" transactions. This included meetings with Congressional staff.

E. In 2008, I attended one meeting with Congressional staff on possible legislation (never introduced) to clarify the tax treatment of charitable contributions of corporate stock. I attended this meeting on behalf of an individual client. This did not give rise to a registration requirement and I did not act as a registered lobbyist under the Lobbying Disclosure Act in this meeting.

F. On occasion my name was filed in Lobbying Disclosure Act forms by my firm in anticipation that I might lobby for some of my firm's clients McDonald's (2003); Republic Industries (1999); Sinclair Broadcasting (1999); and Swiss Bankers Association (2001-2002). However, I did not act as a lobbyist for any of these clients.

G. From time to time, I have submitted applications to the IRS for private letter rulings and recognition of exempt status on behalf of clients (usually with other firm lawyers).

H. From time to time, I have assisted clients in connection with IRS audits (usually with other firm lawyers).

I. From time to time, I have submitted suggestions for or comments on tax regulations on behalf of clients (usually with other firm lawyers).

J. From time to time, I have worked with other lawyers at my firm in assisting clients who are responding to inquiries from, or preparing for hearings of, the Senate Permanent Subcommittee on Investigations.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Treasury Department's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee.

5. **Two** copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.
6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

N/A

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No.

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

No.

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

No. I underwent an uncontested divorce in Fulton County, Georgia in 1979.

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

No.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

None.

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes.

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

Yes.

Senate Committee on Finance
Hearing on Nomination of
William Wilkins
To be Chief Counsel for the Internal Revenue Service and an Assistant General Counsel
for the Department of Treasury

July 14, 2009

ANSWERS TO QUESTIONS FROM CHAIRMAN BAUCUS

Question 1:

As IRS Chief Counsel, you will be responsible for interpreting our nation's tax laws and developing guidance to help taxpayers know how to file their taxes.

- a. How does the complexity of the tax law affect the ability of the IRS and Treasury to issue timely and accurate guidance so taxpayers and IRS employees know how to apply the law?**

Complexity in the tax law is a constant challenge at every level within the IRS and the Treasury Department. It makes timely guidance more necessary, but more difficult to produce. It requires greater expertise from drafters, more input from the public, more coordination among government groups, and more review at all levels within the clearance process. Complex law increases the likelihood that statutory provisions will not be fully consistent or will appear to be in conflict, necessitating a greater volume of guidance. In extreme cases it can present significant challenges to the Treasury Department and the IRS to provide administrable rules to the public. If confirmed as Chief Counsel, I am committed to marshalling the considerable legal expertise within the Office of Chief Counsel to help avoid and ameliorate the problems created by legal complexity, and to focus our efforts in the guidance process to reducing these problems.

- b. What are some examples of issues in current tax law that create significant burden, confusion and noncompliance?**

There are a number of examples of issues under the current law that create significant burden, confusion, and noncompliance. Different provisions create different kinds of problems for specific taxpayers and the government. The Administration identifies these kinds of issues each year to address through its budget proposals. One area that is currently a particular focus for the IRS is international tax compliance. There are many measures that can be taken to improve clarity, reduce burden, and improve compliance in the international arena. For example, the Administration has proposed measures to improve information reporting which, if enacted, would address a number of issues that create significant burden, confusion, and noncompliance.

- c. Do you believe the tax code is too complex? Do you support tax reform? What are the most important factors that should be addressed when considering whether to proceed with tax reform?**

A tax system should raise sufficient revenues to fund government spending in a manner that is fair, simple, administrable, stable, efficient, and conducive to economic growth and consistent with fiscal soundness. The complexity of our current system is a significant issue for both taxpayers and tax administrators. If confirmed, I look forward to working with my colleagues at the IRS and the Treasury Department on proposals to simplify our current system and improve administrability and compliance, especially by providing needed guidance.

Question 2:

A primary responsibility of the IRS Chief Counsel's office is to develop tax guidance so taxpayers know how to file their taxes and IRS employees know how to apply the tax law.

- a. To what extent does the existing guidance process respond in a timely, fair and accurate way to the needs of taxpayers and IRS staff so they can understand and apply the tax laws correctly?**
- b. How do you respond to concerns that it often takes too long for the IRS to issue guidance and issues go unresolved for years as a consequence?**
- c. How do you respond to concerns that the guidance process is unduly and unfairly influenced by lobbyists and those with "connections"? How will you ensure that the guidance process operates fairly and transparently and considers the perspectives of all interested stakeholders?**

I share your view that guidance provided by the IRS and the Treasury Department on the tax laws needs to be helpful, timely, and fair, and that the process for developing it be open. I understand that the process followed by the IRS, together with the Treasury Department Office of Tax Policy (OTP) is intended to produce these results, but we must always be careful to insure that it does, and always seek improvements. A strong published guidance program will help taxpayers understand and meet their tax responsibilities and help the IRS apply the tax laws fairly and consistently.

Providing timely and complete guidance to taxpayers and the IRS is a challenge in the current environment. To ensure that the process is open and responsive to taxpayer needs, each year the Assistant Secretary (Tax Policy), the IRS Commissioner, and the IRS Chief Counsel publish a Guidance Priority List to identify and prioritize the tax issues that should be addressed through regulations, revenue rulings, revenue procedures,

notices, and other published administrative guidance. Additional projects arise throughout the guidance plan year depending on various factors, including legislation passed by Congress and other events.

OTP and IRS seek input to formulate an annual Guidance Priority List that focuses resources on guidance items that are most important to taxpayers and tax administration. A significant factor in determining guidance priorities is tax legislation. Whenever significant legislation is enacted, the Treasury Department and the IRS dedicate substantial resources to publish guidance necessary to implement it.

As in years past, a notice was issued in April of this year requesting recommendations. The notice states that in reviewing recommendations and selecting projects for inclusion in the Guidance Priority List, the Treasury Department and the IRS will consider a number of factors in determining whether a proposed project should be prioritized. These include: whether the guidance will resolve significant issues relevant to many taxpayers; whether it will promote sound tax administration; whether it can be drafted in a manner that will enable taxpayers to easily understand and apply the guidance; whether it can be administered by the IRS on a uniform basis; and whether it will reduce controversy and lessen the burden on taxpayers or the IRS. I agree that these are generally the appropriate criteria on which to formulate a plan that identifies and prioritizes tax guidance that should be issued.

The process for issuing guidance is a complex one that I understand involves many parties within the IRS and the Treasury Department. On March 4, 2008, the Treasury Inspector General for Tax Administration issued a report, "The Published Guidance Program Needs Additional Controls to Minimize Risks and Increase Public Awareness," making recommendations for improving the process. I believe that many of those recommendations have been adopted but that improvements are still possible.

I too am concerned about the timeliness of IRS guidance and share the concerns of constituency groups that such guidance needs to be timely in order to be both an effective tool for taxpayers and a valuable tax administration tool for the IRS. You have my commitment that, if confirmed, I will carefully review the ways in which the Office of Chief Counsel can improve the process for producing prompt and useful tax guidance.

On the subject of the influence of lobbyists and special interest groups on the guidance process, I note that the 2008 Treasury Inspector General for Tax Administration's study on the guidance process was initiated based on concerns raised about this issue. While the report found that there is always a risk of influence by special interest groups, it also found the Office of Chief Counsel maintained adequate internal controls to ensure that all sides of a tax administration issue are considered when determining the form and content of guidance. You have my commitment that, if confirmed, I will maintain these controls so that the guidance process can operate with appropriate consideration of all voices. I will also review and evaluate the degree to which lobbyists and other outside groups may

influence IRS guidance and ensure that any input by such groups is in compliance with Administration policy.

- d. **Do I have your commitment that you will make timely, fair and accurate guidance a priority during your tenure as the Chief Counsel?**

You have my commitment.

Question 3:

Offshore noncompliance and tax shelters undermine our tax system. In March, Senator Grassley and I issued a draft of offshore compliance proposals that would give the IRS better tools to find and shut down offshore abuses. In 2004, Senator Grassley and I successfully enacted a sweeping package of legislation to combat tax shelters.

- a. **How serious of a problem do you consider hiding U.S. source income offshore to be? As IRS Chief Counsel, what will you do to assess the effectiveness of the IRS's offshore compliance strategy?**

I consider offshore tax evasion to be a very serious problem. Those who do not pay the taxes they owe increase the tax burden on those who do comply. The Administration's FY 2010 budget included a package of proposals to combat the under-reporting of income through the use of accounts and entities in offshore jurisdictions. In addition, the IRS and the Treasury Department recently delivered to you an update on reducing the federal tax gap. This update included a discussion of the Administration's strategy to reduce the international tax gap, as well as a timeline for completing research on components of the tax gap. I look forward to working with my colleagues, if confirmed, on implementing the Administration's proposals, as well as using our research to assess progress and effectiveness.

- b. **Do you have ideas going into the job on how to address offshore noncompliance? Do you believe enhancing the Qualified Intermediary program will be sufficient to stop offshore abuses?**

The Administration's FY 2010 budget includes an extensive set of proposals to address offshore noncompliance, including proposals specifically to enhance and improve the Qualified Intermediary program. I know that addressing offshore noncompliance is a priority for this Committee, and I look forward to working with my colleagues and Congress, if confirmed, on addressing this critical issue. Enhancing the Qualified Intermediary program should be an important part of that effort.

- c. How serious of a problem do you consider tax shelters to be? To what extent has the IRS utilized the authority it was granted in the JOBS Act to find tax shelter promoters and investors?**

In recent years, significant progress has been made in addressing existing tax shelters and preventing the use of new tax shelters. Tax shelters nevertheless remain a significant enforcement and compliance issue, and the IRS must continue to use the tools available to it, including the relevant provisions of the JOBS Act, to prevent the use of abusive tax shelters.

- d. As IRS Chief Counsel, what will you do to assess the effectiveness of the IRS's tax shelter strategy? Do you have ideas going into the job on how to stop the tax shelter problem?**

The IRS uses a variety of critical tools to address tax shelters, including examinations, litigation, disclosures, taxpayer outreach, penalties, regulation of tax professionals, injunctions against promoters, administrative guidance, and legislative proposals. Assessing the effectiveness of this strategy necessarily involves a review of each of these enforcement and compliance tools to ensure that the IRS focuses its efforts and resources on the most effective approaches.

ANSWERS TO QUESTIONS FROM SENATOR GRASSLEY**Question 1:**

As you may be aware, I am very active and engaged in oversight of various executive branch agencies. The primary way I conduct oversight activities is to write letters asking detailed questions and requesting Department documents. While Secretary Geithner has assured me that he will respond to my inquiries in a full and timely manner, I would hope to get the same assurance from you. Can I get that commitment from you today?

Yes.

Question 2:

The 1998 Restructuring Act says that the Chief Counsel reports to both the Commissioner of the IRS and the Treasury General Counsel. On the one hand, the Chief Counsel reports to both the Commissioner and the Treasury General Counsel with respect to tax litigation, and with respect to legal advice or interpretations of the tax laws not relating solely to tax policy. On the other hand, the Chief Counsel reports only to the Treasury General Counsel with respect to legal advice or interpretations of the tax laws relating solely to tax policy.

Your predecessor on at least one occasion publicly criticized legislation that Chairman Baucus and I wrote. When we asked, Treasury or IRS stated that they did not agree with his position. How would you handle a situation where you disagreed with the IRS Commissioner, Assistant Secretary for Tax Policy, General Counsel or even the Secretary himself? What is your view of the your relationship with these offices?

The IRS Chief Counsel is the chief law officer of the IRS and serves as an Assistant General Counsel to the Department of Treasury. The Chief Counsel must maintain the trust and relationships that are critical to fulfilling these roles. As in the case of any trusted advisor, the Chief Counsel must provide the Commissioner or the General Counsel with frank advice and opinions, but also being able to faithfully follow the positions or decisions of the Commissioner or General Counsel. I am strongly committed to working to further both Treasury Department policy and legislative goals while supporting IRS service and enforcement actions. If confirmed, I will build strong relationships and ensure open and frequent communications with the Commissioner, the Treasury General Counsel, the Office of Tax Policy, and others so the Office of Chief Counsel can fully meet its responsibilities.

Question 3:

Section 382 of the Internal Revenue Code limits the ability of acquiring companies that acquire target companies to offset the taxable income of the acquiring company with the Net Operating Losses of the target. Section 382 was not enacted lightly by Congress, but rather after extensive scholarly reflection by the staffs of the Senate Finance Committee and the Joint Committee on Taxation, as well as after reflection by the House Ways & Means Committee. It has been an established part of the law ever since 1986.

Maybe section 382 is good tax policy, or maybe it is bad tax policy, but, whatever the case, it is the law of the land. All of us learned back in high school civics class that a bill passed by the House of Representatives, as was section 382, and passed by the Senate, as was section 382, and signed by the President of the United States, as was section 382, is the law of the land.

On September 29, 2008 the House of Representatives, despite the ardent request of Treasury Secretary Hank Paulson, said no to the first bail-out bill; on September 30, 2008 the Treasury virtually waived section 382 for banks in Notice 2008-83; and on October 2, Wells Fargo acquired Wachovia.

In the opinion of many tax scholars, Treasury simply lacked the authority to issue Notice 2008-83. The notice lacked not only authority, but also lacked supervision, transparency, and accountability. This is not a minor issue – this unauthorized waiver of an act of Congress likely had a revenue cost to the government of, at a minimum, several billions of Dollars.

As Chief Counsel, you will be the chief legal advisor to the Commissioner and you will be responsible for providing legal opinions for the preparation and review of rulings interpreting the Internal Revenue Code. You also will be one of the key officers that must approve guidance, like Notice 2008-83, before it is published. In fact, a Chief Counsel attorney was the principal author Notice 2008-83.

Please answer the following questions:

- **Did Treasury and the IRS have the legal authority to rule on the issue decided in Notice 2008-83? If yes, did Treasury and the IRS have the authority to rule on the issue in a Notice that was not subject to public notice and comment?**

I have been advised that Notice 2008-83 was issued under the authority of Internal Revenue Code section 382(m), which authorizes the Secretary of the Treasury to issue such regulations as may be necessary or appropriate to carry out the purposes of the section. The issues raised by that notice are complex and concern the underlying purposes of section 382, as well as Treasury's authority to

issue such guidance and the transparency of the guidance process itself. If confirmed as IRS Chief Counsel, I will respect the limits on the Treasury Department's authority to interpret statutory provisions, including tax provisions, and will ensure that authority issues such as those raised by Notice 2008-83 are fully vetted and debated before such guidance is approved for publication.

In addition, if confirmed, you have my commitment that I will use my position and authority to ensure that guidance is consistent with the requirements of Federal administrative procedure.

- **How do we re-establish the rule of law?**

As Secretary Geithner has stated in response to a similar question, if confirmed, I will respect the constitutional limits on the Treasury Department's authority, as will all those who work for me.

- **How should Congress handle this?**

I understand there continues to be a high level of concern in Congress about this issue, and I am of course aware that Congress has revoked the notice and expressed its view that the legal authority for the notice was "doubtful." Our constitutional system of checks and balances provides authority for each co-equal branch of Government to respond to actions taken and decisions made by another branch, and Congress exercised that authority in this case. As Secretary Geithner has said, I won't presume to advise Congress how to respond but, if confirmed, I will pledge to support and uphold the Constitution, including the limitations on the Treasury Department's authority.

- **If you are approved as Chief Counsel, how do you anticipate handling this issue and issues like it in the future?**

If confirmed, I will make certain that issues regarding authority to issue guidance are properly and fully addressed in the guidance review process working both with my staff and my colleagues at the Treasury Department.

- **How do we deal with the mess that has been created, and how do we ensure there are no future problems like this?**

If confirmed, I will review the guidance process to make certain issues regarding authority are properly and fully addressed and that guidance issued is within the authority granted to the Treasury Department by the Constitution and by Congress.

- **How do we make sure that our Constitutional separation of powers are respected and protected – that is that the executive branch doesn't attempt to pass legislation overriding acts of Congress?**

If confirmed, I will implement and administer the laws that Congress enacts and the President signs, as will all who work for me.

Question 4:

There's a wide agreement that the tax law has become much too complicated. Undoubtedly, a large part of the reason that the job of IRS Chief Counsel is so important is because of that complexity – if the tax law were simple, it might not take as capable and bright a person to do the job. When stories of people getting their tax liability incorrectly calculated are commonplace, thus inducing cynicism about the tax law, and thus creating an ever greater tax gap, it's clear there's a major problem and something needs to be done to address the problem.

So, my question to you Mr. Wilkins is how to address this problem? Do you have any suggestions for how to make the Internal Revenue Code less complex, or at least from keeping it from getting more complicated? Would you recommend a flat tax? Would you recommend a moratorium on either tax legislation or tax regulations? Should the tax law simply try to raise revenue for the government and stop trying to achieve so many other societal goals? You being on the frontlines of understanding the tax laws, I would appreciate hearing your thoughts on how to address the problem of complexity.

The complexity of our current tax system creates difficulties for both taxpayers and tax administrators. As you note, this complexity has many possible sources. If confirmed, I look forward to working with my colleagues at the IRS and the Treasury Department to provide the guidance needed by taxpayers so that they can understand and comply with their tax obligations. Similarly, if confirmed, I look forward to working to simplify our current system and improve administrability and compliance.

Question 5:

In the stimulus bill, the section 25C credit for windows, doors, and skylights was modified as of the date of enactment so that such items do not qualify “unless such component is equal to or below a U factor of 0.30 and SHGC of 0.30.” However, the IRS issued guidance saying that windows, doors, and skylights qualify under section 25C if they meet the old Energy Star standards through May 31, 2009. In your view, did the IRS have the authority

to issue such guidance, which appears to contradict the language of the statute? If yes, please explain what you think is the source of the IRS' authority.

Prior to amendment by the American Recovery and Reinvestment Act of 2009 (ARRA), Section 25C of the Internal Revenue Code provided a credit for windows, skylights, and doors that met the requirements of the 2000 International Energy Conservation Code (IECC). In the case of windows and skylights, the IECC requirements and Energy Star requirements were the same, so IRS Notice 2006-26 provided that purchasers of windows and skylights could rely on an Energy Star label. Thus, under this arrangement homeowners are generally relieved of the obligation to determine independently whether a particular item qualified for the credit.

The ARRA amended Section 25C to provide that, in addition to meeting the IECC requirements, windows, skylights, and doors must have a U factor and an SHGC equal to or below 0.30 to qualify for the credit.

The amendment took effect for items placed in service after the date of enactment on February 17, 2009. I understand that the IRS was concerned that immediate implementation of the amendments to Section 25C would have had the perverse effect of discouraging homeowners from purchasing energy efficient products. Until the IRS issued guidance to provide an alternative way to confirm that items would qualify for the credit, homeowners likely would find it difficult to determine whether a particular energy efficient property qualified, even though many of those products would have met the revised standards.

I understand that in this case the IRS determined that providing transition relief to homeowners purchasing windows, skylights, and doors until a new certification mechanism could be implemented was a reasonable exercise of its responsibility and authority to administer the tax laws and was consistent with congressional intent in the ARRA to stimulate spending on energy efficient property. The IRS therefore announced that it would issue guidance providing a transition rule allowing taxpayers to continue to rely on the Energy Star label to document eligibility for the credit. In similar cases, the IRS has administered the law by providing that taxpayers may rely on certifications.

As to whether the IRS had authority to issue this transition rule covering the period between February 17 and June 1, my opinion is that the IRS has broad authority in this area. The Secretary has express authority under Internal Revenue Code Section 7805(a) to prescribe "all needful rules and regulations as may be necessary by reason of alteration of law in relation to internal revenue." Moreover, the Secretary and his delegates, expressly including the Commissioner, have broad authority under Internal Revenue Code Sections 7801 and 7803 to administer and enforce the internal revenue laws. Thus, the IRS may issue a transition rule, upon which taxpayers may rely, binding the Commissioner to positions taken when laws are changed, and the IRS has authority to give taxpayers and IRS agents guidance as to compliance with the amended law. From what I understand, the IRS appears to have tried to balance the need for immediate enforcement of the Section 1121 of ARRA with the need to avoid disruption and to ensure that taxpayers who relied upon the IRS's 2006 guidance during the period between

February 17, 2009, and June 1, 2009 could continue to do so until it issued Notice 2009-53 giving effect to ARRA Section 1121 moving forward.

Question 6:

Division C, Title I, Section 103 of the “Emergency Economic Stabilization Act of 2008” is a provision to assist taxpayers struggling under the burden of alternative minimum tax liabilities due to the exercise of incentive stock options. My office has heard information that the IRS has been slow to identify individuals meant to be helped by this provision and has also been slow in some cases to abate liabilities, interest, and penalties as called for by the provision. There are concerns that the provision is being applied inconsistently across the country and that the degree to which Congressional intent is carried out depends on how well a particular agent understands the issue or is aware of the legislation. I wanted to make you aware of these issues, and obtain your commitment to take action as you determine to be appropriate to ensure that Congressional intent is respected and this provision is applied consistently and correctly to all applicable taxpayers.

I understand that this has been a long-term problem for many taxpayers, and that there are still issues regarding how the law applies to particular taxpayers in specific cases. You have my commitment that, if confirmed, I will carefully review the situation and ensure that the law is applied consistently and correctly to all taxpayers in a manner that adheres to Congressional intent.

Question 7:

Whistleblower Program. Due to my leadership, Congress changed the law in 2004 regarding rewards to whistleblowers that provide information leading to the recovery of significant amounts of taxes from corporations and wealthy individuals. These rewards are vital to encourage people to come forward, given that these individuals are often risking jobs and careers. The reforms to the Whistleblower Rewards Program were inspired by the great success of the False Claims Act, which has helped the federal government recover billions of dollars over the years. The Whistleblower Office has been created, and there is wide agreement that it has tremendous potential and possibilities. I also wish to commend to you the work of Mr. Stephen Whitlock and his colleagues at the IRS Whistleblower Office in establishing this new program. Also, I understand that Mr. Whitlock is receiving support from the Office of Chief Counsel, which he will need if this program is going to perform up to its great potential.

- **What is your opinion of the IRS Whistleblower Rewards Program?**
- **Will you vigorously enforce the Whistleblower Rewards Program?**

- **Will you oppose efforts by industry groups, attorneys or others to weaken the Whistleblower Rewards Program?**
- **Please assure me that you personally will make efforts to recognize whistleblowers whose work has benefitted the IRS and also those IRS Counsel employees who have incorporated the work of a whistleblower to help them succeed at their jobs.**

The purpose of the December 2006 amendment to the whistleblower provisions of the Internal Revenue Code was to provide strong incentives for persons with knowledge of significant tax noncompliance to provide that information to the IRS. While the program is still, relatively speaking, new, initial results suggest that whistleblowers are coming forward with productive information which the IRS is utilizing in its efforts to recover unpaid taxes. It is my understanding that, from the time of the 2006 changes, the IRS Office of Chief Counsel has worked closely with the operating units of the IRS to build a strong and credible whistleblower program that also assures the protection of taxpayer privacy and taxpayer rights. If confirmed, I am fully committed to this vital program and to providing my support to the IRS in continuing to build and improve its effectiveness and efficiency, including by appropriately recognizing Chief Counsel employees and others who help make the program as successful as possible.

- **One of the benefits of whistleblowers assisting the IRS is the ongoing dialogue and give-and-take between the whistleblower and the IRS. I am very worried that the Office of Chief Counsel may be chilling those discussions by imposing on whistleblowers a “one-shot” rule – i.e., that there can be only one meeting with the whistleblower and the IRS, particularly when the whistleblower is a present employee. As I understand it, the concern is that if there are meetings after the initial meeting the whistleblower could be viewed as an agent of the IRS. This is an issue that the Department of Justice, in administering the False Claims Act, has successfully navigated. I ask for your pledge to consult with the Department of Justice as well as the qui tam bar regarding this very important matter.**

You have my commitment that, if confirmed, I will carefully review this matter to ensure that the IRS is appropriately advised on the legal limitations on use of whistleblower information and other issues and that the IRS is not unnecessarily constrained. I pledge to consult with the Department of Justice and other experts on the issue.

Question 8:

Can the Office of Chief Counsel take legal action to help IRS do a better job in collecting delinquent tax debts? What type of action and why would it be effective?

As the chief legal advisor to the Commissioner of Internal Revenue, the Office of Chief Counsel provides essential support for the efforts of the IRS in collecting delinquent taxes. The Office of

Chief Counsel can assist in the collection of tax debts first and foremost by providing sound legal advice to the IRS about how to exercise its broad administrative powers to collect taxes and how to take appropriate legal actions to collect taxes through judicial proceedings when administrative action is unavailing.

There are two areas in which the Office of Chief Counsel must provide strong support to the IRS. First, the Office of Chief Counsel plays a significant role in sustaining the administrative collection determinations made by the IRS by defending those actions in Collection Due Process proceedings in Tax Court. I think that it is important for the Office to ensure that the collection actions taken or proposed by the IRS are supported by the law and that sufficient resources are focused on those proceedings to insure a vigorous defense of IRS actions to collect delinquent taxes.

In addition, the Office of Chief Counsel provides support for the IRS's efforts to collect taxes in bankruptcy, both by advising the IRS on how best to collect taxes during bankruptcy proceedings and representing the IRS's interests in bankruptcy court as Special Assistant United States Attorneys. In the current economic climate, we can expect to see more bankruptcy proceedings and attempts by businesses to workout debts outside of bankruptcy. The Commissioner has expressed his intention to devote more resources to these areas. If confirmed, I will support the Commissioner's efforts and insure that sufficient Counsel resources are being devoted to assisting the IRS to collect taxes from debtors in bankruptcy who owe taxes.

Finally, the Office of Chief Counsel provides assistance in preparing collection matters for prosecution by the Department of Justice.

Question 9:

The Office of Chief Counsel participates in the drafting, review and publication of various types of guidance to IRS and taxpayers for use in complying with the tax laws. Treasury regulations represent the IRS's and Treasury Department's official interpretation of the Internal Revenue Code. Revenue Rulings are the official interpretation of the IRS on the application of the Code or Treasury regulations to a particular set of facts. Revenue Procedures are official statements of the IRS's internal practices and procedures in the administration of the tax laws. Private Letter Rulings provide guidance to specific taxpayers on proposed tax transactions. Technical Advice Memoranda provide guidance to IRS on completed tax transactions under examination. Field Service Advices provide guidance to IRS on its legal interpretation of the tax laws.

- **What type or types of guidance will you emphasize as Chief Counsel? Why?**

Over the years the Treasury Department and the Internal Revenue Service have developed a variety of types of published guidance, including final regulations, revenue procedures and revenue rulings, notices and announcements. The Office of Chief

Counsel can also issue private letter rulings, closing agreements, Chief Counsel advice, and general legal advice. There are countless other forms of guidance that taxpayers refer to and which the Office of Chief Counsel participates in drafting or reviewing.

Each form of guidance has advantages and limitations. Some former Chief Counsels have articulated a preference for one type of guidance over another based on the challenges presented by the times and the perceived advantages of a particular form of guidance. Some, for example, have stated a preference for providing guidance through regulations, because regulations are authoritative, carefully reviewed, and receive a high level of deference from the courts. However, regulations also tend to be time- and resource-intensive and difficult to modify when law or circumstances change. Rulings and other less formal types of guidance tend to be more flexible and can be more timely, but they also are somewhat less authoritative and are almost always narrower than regulations.

I believe in taking a balanced approach that utilizes the appropriate tool for the problem at hand. While it often makes sense to view regulations as the ideal form of guidance, I also believe it makes sense to consider the needs of the taxpayers and the IRS for speed or permanency, specificity or breadth, clarity on a specific issue or a broad framework in choosing the form of guidance. If confirmed, I will work closely with experts and stakeholders both in and out of government to make sure that these and other issues are carefully weighed when the form of guidance on a particular issue is selected.

- **In your opinion, is it more important to issue guidance to all taxpayers (e.g., revenue rulings and revenue procedures) or to specific taxpayers (e.g., private letter rulings and technical advice memoranda) or some combination? Why?**

I believe that it is important to achieve a balance between published guidance, such as regulations, revenue rulings and revenue procedures, and taxpayer-specific guidance. It is generally good policy for guidance to be as broad as possible, to apply to as many taxpayers as possible, and for guidance to be in a form that the IRS can enforce and on which taxpayers can rely. That said, private rulings are an important tool for administering the tax law. They can provide taxpayers with certainty on critical questions and can resolve issues before the IRS expends significant resources in examinations. In addition, requests for rulings can bring important and emerging questions to the attention of the IRS, and can allow IRS professionals to explore an issue in various factual contexts before issuing published guidance.

We understand that the incoming head of any organization will have ideas about how the agency or organization should be structured and managed. However, we also understand that change can have potentially negative impacts on agency operations as well as on employees.

- **What guiding principles will you follow in deciding what changes, if any, are needed to the policies, procedures, and practices that were implemented by your predecessor or that are in the process of being implemented?**
- **What steps will you take to assure us that any material changes will be decided in consultation with Congress, employees, and appropriate outside stakeholders?**

The IRS Chief Counsel is responsible for the management of a large, nation-wide organization that serves an even larger and organizationally more complex client. In addition, the Office of Chief Counsel is an important part of the Treasury Legal Division and works extremely closely with the Treasury Office of Tax Policy. It is my view that because of the Office of Chief Counsel's structure and relationships, it needs excellent management to meet its objectives and move forward to greater achievements. However, I also believe that significant changes to the way it operates must be carefully considered with input from appropriate parties.

If confirmed, before making any significant changes in significant operational policies, procedures, or practices currently in place, I will carefully consider my predecessors' reasons for implementing them, seek input from those who might be affected by or responsible for any change, and consult with experts and stakeholders both within and without the Office of Chief Counsel as appropriate.

Question 10:

An Offer in Compromise (OIC) is an agreement between the taxpayer and the IRS that settles a tax liability for payment of less than the full amount of the tax owed. One ground upon which the IRS may accept an OIC is where there is doubt as to whether the assessed tax liability is correct because of a possible mistake by the IRS in interpreting the law. As Chief Counsel, you will be the chief legal advisor to the IRS Commissioner.

- **What do you understand the role of the Office of Chief Counsel to be in the OIC area?**

My understanding is that the Office of Chief Counsel's current role by statute is to certify that all of the legal requirements for compromise have been met and to provide review of proposed compromises for consistent application of the IRS's acceptance policies with respect to offers proposing to compromise tax (including penalties and interest) exceeding \$50,000. That is, Counsel should be verifying that a basis for compromise exists – legally there is doubt as to liability, doubt as to collectability, or a compromise would serve effective tax administration.

- **What do you believe the role of Chief Counsel should be?**

Chief Counsel's role in the OIC area has historically been a limited one, and I believe that limited role is appropriate and should continue. It should not be the Chief Counsel's role to determine policy governing the acceptance of offers in compromise. But I think that as legal advisor to the Commissioner, the Chief Counsel should provide advice about whether compromises of significant amounts of taxes are legally valid and whether acceptances of OICs conform to IRS policy in large dollar cases. This provides a necessary safeguard against undue pressure to forgive tax debt in inappropriate circumstances and helps to ensure that the tax laws are being fairly administered.

- **In your view, what effect has the OIC program had on hampering the efforts of Treasury and the IRS to close the tax gap?**

I regard the OIC program as a necessary tool for bringing taxpayers into compliance with the tax laws. As currently structured, the OIC program reflects the recognition that a tax assessment should not be collected in full when it is clear that taxpayers have insufficient assets to full pay their liability, there is some doubt about what they owe, or a compromise would promote effective tax administration. This policy persuades taxpayers of the fairness of the tax system.

Offers, however, can perform only a small function in closing the tax gap. When taxpayers who are not currently in the tax system are willing to report their liabilities and pay those liabilities consistent with current OIC policy, the OIC program can assist in bringing dollars into the Treasury. A legislative change, as proposed in the Administration's 2010 Budget, to eliminate the non-refundable partial payment currently required under section 7122(c) for submission of OICs may make them more feasible for more taxpayers. It is critical, however, that compliant taxpayers--those who have filed timely returns and fully paid their taxes--do not perceive the OIC program as a giveaway to taxpayers who have the ability to pay their taxes but prefer to dedicate their resources to other purposes.

ANSWERS TO QUESTIONS FROM SENATOR KERRY**Question 1:**

For the last two Congresses, I have introduced legislation, along with Senator Ensign which would remove cell phones from the definition of listed property. This legislation has broad bipartisan support. In June, the IRS proposed ways to simplify the procedures under which employers substantiate an employee's business use of employer-provided cell phones. I was pleased that the IRS recognized the difficulty of substantiating cell phone records, but had concerns about the safe harbor. In response to the Notice, Commissioner Shulman released a statement asking Congress to act "...to make clear that there will be no tax consequences to employers or employees for personal use of work-related devices such as cell phone provided by employers." I applaud this statement and hopefully Congress will act on my legislation later this year. During the interim, will the IRS consider suspending audits on this particular issue? Cell phones no longer meet the criteria of listed property because they are no longer costly and used only by executives. Commissioner Shulman and Secretary Geithner have made it clear that employees should not be taxed for the use of employer-provided cell phones.

I agree with the Secretary and the Commissioner that the laws related to the tax treatment of the personal use of employer-provided cell phones are outdated, and should be updated.

As a legal matter, the current treatment of employer-provided cell phones as 'listed property' is not at issue. Rather, I understand your question to be more one of the IRS's administrative approach in examination, which I, as a nominee that is not involved in IRS enforcement matters, am not informed to answer.

ANSWERS TO QUESTIONS FROM SENATOR NELSON**Question 1:**

The President has proposed codifying the common law "economic substance" doctrine and creating a new 30-percent penalty on an understatement of tax attributable to a transaction that lacks economic substance. Your predecessor, in his capacity as IRS Chief Counsel, was a vocal critic of proposals to codify the economic substance doctrine. In your personal view, what effect will codifying the economic substance doctrine have on taxpayer behavior? Will codifying the doctrine inadvertently help tax shelter planners? What effect will the proposal, including the penalty, have on routine business transactions?

The IRS and the Justice Department have won a large and growing number of tax shelter cases using the economic substance doctrine, including in the recent case of Altria v. United States. I believe that the Administration's proposal on the economic substance doctrine is intended to bolster those successes by clarifying the operation of the tests applied under the doctrine and to ensure that appropriate penalties are imposed on abusive tax avoidance behavior. I also understand that the proposal is not intended to have any affect on behavior that does not represent abusive tax planning. If confirmed, I will work closely with the Office of Tax Policy to insure that the provisions do not interfere with routine business transactions, including by working to develop guidance to clarify the provision's application, if necessary.

Question 2:

In several recent tax cases, the IRS has aggressively asserted the right to obtain a corporate taxpayer's tax accrual workpapers. Despite guidance from the Supreme Court in United States v. Arthur Young, 465 U.S. 805 (1984), courts have reached different conclusions regarding the application of the work product doctrine to the disclosure of tax accrual workpapers. In your view, when is it appropriate for the IRS to assert a legal right to obtain tax accrual workpapers? In your experience, are privilege assertions sometimes used as a strategy by taxpayers to conceal abusive transactions and reporting provisions?

While the IRS has long had authority to obtain corporations' tax accrual workpapers, it has historically exercised a policy of restraint in requesting these documents. It generally limits its request for tax accrual work papers to situations in which the taxpayer is known to have engaged in an abusive tax avoidance transaction. By exercising restraint, the IRS balances its need to obtain information to administer and enforce the tax law with the interests of shareholders and other stakeholders in obtaining accurate information concerning a taxpayer's financial status.

But at the same time it has exercised restraint in requesting tax accrual work papers, the IRS and the Justice Department have vigorously asserted the government's right to these papers in

appropriate cases. If confirmed, I will work to make sure that the IRS can obtain the information it needs to fully and efficiently administer the law while also protecting legitimate interests of taxpayers.

In my experience, some taxpayers use all the tools at their disposal to protect their interests when dealing with the IRS. Similarly, parties to litigation often resist producing documents that their opponents have requested through the discovery process. Thus, it is not surprising that taxpayers have resisted IRS efforts to obtain tax accrual workpapers, even though it is the position of the government that these papers are not privileged. Resistance to disclosure is not unique to the tax arena, and does not necessarily indicate that the taxpayer is attempting to conceal an abusive transaction.

Question 3:

In 2007, Congress tightened the standards of conduct that must be met by tax return preparers to avoid the imposition of preparer penalties for understatements of tax related to "unreasonable positions". In 2008, Congress backed away from the strict standard it had created in 2007, based on concerns that the tax return preparer standard was higher than the taxpayer standard. In your view, and setting aside the current statute, what is the appropriate standard of conduct that should be imposed on tax return preparers with respect to undisclosed positions?

There is a complicated interaction between preparer and taxpayer penalties, as indicated by the changes in the preparer penalty standard in 2007 and 2008. I am committing to enforcing the current standard, which generally provides that an undisclosed position is unreasonable when the taxpayer lacks substantial authority for the position. Should I be confirmed, I look forward to working closely with Congress and the Treasury Department if it is determined that further reform of this penalty is necessary.

Question 4:

In your view, are there specific actions Congress should consider, other than providing adequate funding, to help improve tax compliance and reduce tax evasion?

I believe that there are a number of actions that Congress could take that would improve compliance with the tax laws. The complexity of the tax code creates confusion among individuals and businesses trying to understand and pay their tax liability. There are a number of areas where tax law simplification would help.

Additionally, I am aware that the Department recently delivered a detailed plan for reducing the federal tax gap. That plan has a number of concrete proposals that would improve compliance and reduce opportunities for evasion. It includes a number of important third-party information

reporting proposals, for example, that will help taxpayers by providing information in a standardized format, while providing the same information to the IRS for compliance purposes. There are also a series of proposals aimed at reducing opportunities for offshore tax evasion, and enhancing the tools available to the IRS in offshore investigations.

Finally, I believe that technology can play an important role in improving compliance. Improved IRS technology can provide better service to taxpayers, and improved use of technology in the practitioner and software community, such as broader E-file adoption, can help reduce errors at the beginning of the process.

ANSWERS TO QUESTIONS FROM SENATOR HATCH**Question 1:**

Mr. Wilkins, as I am sure you are aware, the Obama Administration has offered a number of revenue proposals for the fiscal year 2010, which are included in the so-called Treasury Green Book. In that book, under the category of “Other Revenue Changes and Loophole Closers” are found proposed reforms of the U.S. international tax system as well as proposals to combat under-reporting of income through the use of accounts and entities in offshore jurisdictions. These proposals have caused a great deal of debate and controversy, as well as confusion. Many policy makers seem to believe that all of these proposals are designed to crack down on tax evasion and/or are loophole closers, which implies that taxpayers are engaging in inappropriate behavior. Do you agree with me that a proposed change in deferral is a tax policy issue, and not a loophole closer, while a proposed change to enhance reporting of accounts in tax havens is merely creating a tool to help the IRS administer the tax law, and that the two types of proposals are very different and should not be talked about as if they both dealt with tax evasion?

I agree with you that proposals to revise the rules that apply with respect to taxation of income earned by foreign subsidiaries of U.S. corporations are not designed to address any current practice of illegal tax evasion. These proposals are distinct from other proposals, which are aimed at failure to report taxable income.

Question 2:

Mr. Wilkins, what is your view on the proposal for the IRS or Treasury to regulate paid tax return preparers?

Earlier this summer, Commissioner Shulman announced that by the end of 2009, he will propose a comprehensive set of recommendations to help the IRS better leverage the tax return preparer community with the goals of increasing taxpayer compliance and ensuring high ethical standards of conduct for preparers.

I agree that tax return preparers play a critical role in the tax system, and I think the review that the IRS has launched is timely. The tax return preparer industry is large and complex, and serves millions of taxpayers every year. Seeking broad input will be important to coming up with effective recommendations, and I know the IRS has scheduled open meetings to seek this input.

If confirmed, I look forward to working closely with Commissioner Shulman on this important effort.

Question 3:

As I am sure is the case with most other members of the Finance Committee, I am very concerned about the size of the tax gap. Increased information reporting requirements by third parties seem to have helped increase tax compliance. Of course, more information reporting can create a large burden on those required to provide the information. Do you think that there is a great deal more Congress can and should do to require more information reporting? Do you have other ideas that will lower the tax gap?

I share your concern about the size of the tax gap. Generally, increased third-party information reporting has helped tax compliance. At the same time, any burden resulting from increased information reporting and other tax gap proposals should be considered in relation to with the increased compliance expected to result from the proposals. I understand that the Administration has made several information reporting and other tax gap legislative proposals that would improve compliance by businesses, strengthen tax administration, and expand penalties. If confirmed, I look forward to working with the Committee regarding the Administration's proposals.

ANSWERS TO QUESTIONS FROM SENATOR ENSIGN**Question 1:**

There has been some concern on the part of Congress about a few recent high profile bankruptcies by qualified intermediaries in IRC section 1031 transactions leading to defalcations and failed IRC section 1031 transactions when funds held by qualified intermediaries were not available to purchase the replacement property. This result causes taxpayers hardship resulting from taxation on gains on income that has disappeared.

I understand that the IRS has plans to issue guidance on this matter. Specifically, in the 2008-2009 Priority Guidance Plan or 'Business Plan' the IRS included a reference to "[g]uidance under §1031 regarding the treatment of accounts held jointly by the taxpayer and a qualified intermediary."

As you know, the IRS can issue rules or regulations covering the requirements for qualified intermediaries under IRC section 1031. Most regulatory guidance by the IRS falls under the General Counsel's general responsibilities. Can you update the Committee on the guidance on this issue and whether the IRS will issue rules to help better ensure that taxpayers' funds held by qualified intermediaries are available when the replacement property is scheduled to close?

I have been advised that the IRS is aware of unfortunate situations in which taxpayers relinquished property to a qualified intermediary and the qualified intermediary failed to complete the like-kind exchange due to its bankruptcy. As you note, the IRS Priority Guidance Plan includes a project to address the status of accounts held by qualified intermediaries.

Generally, parties to a like-kind exchange are free to agree how proceeds from the disposition of relinquished property are held by the qualified intermediary pending the completion of the exchange. Section 1031 of the Internal Revenue Code does not prescribe any particular arrangement. Even though taxpayers may negotiate with the qualified intermediary to hold funds in trust to protect them against loss in bankruptcy, taxpayers often do not do this because of the transaction costs involved. If confirmed, I look forward to exploring rule changes to govern how qualified intermediaries hold proceeds in like-kind exchange transactions.

The more immediate concern is the tax consequence to taxpayers who lost money or property due to a defaulting or bankrupt qualified intermediary. The published guidance should provide clear and administrable rules to assist these taxpayers who suffer the dual misfortune of lost investments and potential tax liability as a result of failed like-kind exchanges. This guidance should provide certainty about the tax consequences of the failures.

