



DEPARTMENT OF THE TREASURY OFFICE OF PUBLIC AFFAIRS

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STATEMENT OF DONALD L. KORB, NOMINEE FOR CHIEF COUNSEL FOR THE INTERNAL REVENUE SERVICE AND ASSISTANT GENERAL COUNSEL IN THE DEPARTMENT OF THE TREASURY BEFORE THE COMMITTEE ON FINANCE, UNITED STATES SENATE

Good afternoon Mr. Chairman, Senator Baucus and Members of the Committee. It is an honor to appear today before this Committee as President Bush's nominee for the position of Chief Counsel for the Internal Revenue Service. If I may, I would like to introduce my family to the Committee.

Before taking your questions, I would like to discuss two subjects: why I want to assume the post for which you are considering me today and a brief summary of the goals that I have set for myself if I am confirmed.

This opportunity for public service is a very great honor. I am humbled by the confidence that the President, Secretary Snow, and Commissioner Everson have placed in me by giving me the opportunity to serve my country in this capacity. The opportunity for public service at the national level is a rare privilege and one that I gratefully welcome. I believe that all Americans should find some time during their lives to serve their country and their fellow citizens. The extraordinary sacrifices of our armed forces in Iraq and Afghanistan immediately come to mind. However, there are other ways to use one's talents and experiences for the benefit of the public, and President Bush has given me such an opportunity by nominating me for the position of Chief Counsel.

I have over 30 years of experience in federal taxation in both public service and private practice. The core of my practice since the late 1980's has been tax controversy work. It has included representing taxpayers before the IRS in examinations, appeals, and tax litigation. It has also included mediating a number of disputes between taxpayers and the IRS which has given me an interesting perspective into how to resolve disputes between the tax collector and the taxpaying public.

If I am fortunate enough to be confirmed by the Senate, I will begin my third tour of duty with the Internal Revenue Service. Thirty years ago this past January, I began my legal career as an Attorney/Advisor in the Office of Chief Counsel in Washington. Over the next four years I worked on a myriad of issues across all areas of the tax code. Later, during the Reagan Administration, I served again, this time for two years as an Assistant to Commissioner Roscoe Egger. I was the overall coordinator of the Service's involvement in the legislative process that resulted in the Tax Reform Act of 1986. I actively participated in drafting the specifications for what became Section 469, the passive activity loss rule. I am proud to say, that following the enactment of the 1986 Act, this particular Code section was enormously successful in putting the individual tax shelter industry at that time out of business. Also, before I returned to the private sector, I developed a new approach to the published guidance process which enabled the Service to publish a significant amount of guidance in a short period of time in the immediate aftermath of the 1986 Act. I believe that the experience and institutional knowledge that I gained during these two stints in the IRS in the 1970's and 1980's will be invaluable to me as Chief Counsel.

I am already familiar with the organization and operations of both the Service and the Office of Chief Counsel. Also, I already know personally many of the people I would work with in this position. In addition, I have a solid understanding of the Department of Treasury's Office of the Assistant Secretary (Tax Policy). I worked very closely with Treasury during the time I was Assistant to the Commissioner, particularly during the 1986 tax reform process, and have closely followed its operations over the past six years as an Officer and Council Director of the ABA Tax Section. Consequently, I will be able to "hit the ground running" if my nomination is confirmed.

In the late 1990's, this Committee identified serious concerns regarding the operations of the Internal Revenue Service. The reforms instituted at that time are having a positive impact both on the way the Service conducts its operations and on compliance by the taxpaying public with our tax laws. In line with those reforms, Commissioner Everson has set three goals for the Service: to continue to enhance the service that the IRS provides to taxpayers, to continue to modernize the information technology systems of the Service, and to strengthen the integrity of the nation's tax system through enhanced enforcement activities. If confirmed, my top priority as Chief Counsel will be to help Commissioner Everson achieve these goals.

This Committee has also identified serious compliance issues that confront our tax system, particularly with respect to tax shelters. My predecessor in this position accomplished a great deal to help the Service enhance its enforcement efforts in the battle against these tax shelters. Like my predecessor, I want taxpayers and tax practitioners to have a healthy respect for the IRS; I also want to help bring the struggle against abusive tax shelters and the new generation of abusive schemes marketed to individuals to a successful conclusion much like we did in the mid-1980's with the tax shelters marketed in those days. I look forward to working with this Committee to achieve these goals.

Finally, I want the attorneys in the Office of Chief Counsel to continue becoming more client-oriented while at the same time maintaining their independent judgment. Hopefully, the result will be an operation with lawyers who will conduct their work essentially like lawyers in a traditional law firm do while at the same time serving America's taxpayers fairly and with

integrity by providing correct and impartial interpretation of the internal revenue laws and the highest quality legal advice and representation for the Internal Revenue Service.

Let me conclude by assuring you that if I am confirmed, I will do my utmost to successfully carry out the responsibilities entrusted to me as Chief Counsel. Thank you for your consideration.

I would be pleased to answer any questions.