

1 OPEN EXECUTIVE SESSION TO CONSIDER FAVORABLY REPORTING
2 THE NOMINATION OF DAVID J. KAUTTER, TO BE AN ASSISTANT
3 SECRETARY OF THE TREASURY
4 THURSDAY, JULY 20, 2017
5 U.S. Senate,
6 Committee on Finance,
7 Washington, DC.

8 The meeting was convened, pursuant to notice, at
9 10:05 a.m., in room 215, Dirksen Senate Office Building,
10 Hon. Orrin G. Hatch (chairman of the committee)
11 presiding.

12 Present: Senators Burr, Scott, Cassidy, Wyden,
13 Casey, and McCaskill.

14 Also present: Republican Staff: Mark Prater,
15 Deputy Staff Director and Chief Tax Counsel; Chris
16 Armstrong, Deputy Chief Oversight Counsel; Jay Khosla,
17 Chief Health Counsel and Policy Director; Nicholas Wyatt,
18 Tax and Nominations Professional Staff Member; and Alex
19 Monie, Professional Staff Member. Democratic Staff:
20 Joshua Sheinkman, Staff Director; Michael Evans, General
21 Counsel; David Berick, Chief Investigator; Ian Nicholson,
22 Investigator; and Tiffany Smith, Chief Tax Counsel.

1 OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR
2 FROM UTAH, CHAIRMAN, COMMITTEE ON FINANCE

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4 The Chairman. We welcome whoever is here to be
5 here; grateful to have you here.

6 My hope is that we can move this nomination quickly.

7 Toward that end, I hope my colleagues will opt to place
8 their statements and colloquies into the record.
9 However, we will keep the record open for anybody who
10 wants to orally deliver them. If they could limit their
11 comments to no more than three minutes, we would
12 appreciate it.

13 I do not see any other Senators here who wish to
14 make a statement at this time --

15 Senator Wyden. Mr. Chairman?

16 The Chairman. -- except for the ranking member, so
17 let me turn to the ranking member.

18

1 OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM
2 OREGON

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4 Senator Wyden. Thank you very much, Mr. Chairman.
5 Just a few points on Mr. Kautter's nomination before a
6 final comment on the challenge of getting bipartisan tax
7 reform.

8 Mr. Kautter spent a number of years as Director of
9 National Tax at Ernest and Young. During that time, the
10 firm marketed tax shelters to affluent clients, and E&Y
11 employees were convicted of fraud, and they were
12 convicted of obstruction for covering it up when the
13 practice came under federal investigation.

14 This was a major scandal. The firm paid more than
15 \$100 million in settlements.

16 Through the vetting process for his nomination, Mr.
17 Kautter said, essentially, this was not his job to do
18 anything about these abuses. Taking him at his word,
19 others in the firm may have approved these shelters, but
20 I do not think it is appropriate to look the other way
21 when confronted with evidence of wrongdoing.

22 Since Tuesday's hearing, Mr. Kautter and I have
23 spoken several times further. He has responded to
24 additional questions from me in writing. He expanded on
25 what he had said at our hearing. He wishes he had done

1 differently at E&Y, and what he would do in the future if
2 confronted by a similar situation at Treasury.

3 Mr. Kautter committed to me that he would maintain
4 the highest level of ethical and professional standards
5 if he is confirmed. We all know actions speak louder
6 than words. Mr. Kautter will be judged by his actions
7 going forward.

8 Now turning to the question of how Mr. Kautter would
9 approach the policy part of his job, I would like to
10 revisit our discussion at the hearing when Mr. Kautter
11 said that the real problem with the tax code, which led
12 to the shelters, was complexity.

13 Now there is no doubt that the appalling unfairness
14 in the tax code is fueled by these insanely complicated
15 murky rules that plague the pages of the tax code,
16 particularly when it comes to the tax treatment of income
17 for the most fortunate. Tax evaders thrive in the
18 shadows.

19 I also feel that the tax code did not become this
20 complicated by osmosis. It did not become complicated by
21 accident, and fixing it is going to be a matter of
22 political will.

23 I believe there is bipartisan interest in
24 comprehensive tax reform. And in my view, fighting this
25 complexity has got to be at the heart of a bipartisan tax

1 reform effort.

2 This is an opportunity to eliminate what I call "the
3 tale of two tax systems." Under today's tax code, there
4 is a set of rules for cops and nurses, and their rules
5 are compulsory. Their taxes come out of every single
6 paycheck. And then there is another set of tax rules for
7 the fortunate few which says, you can pay what you want
8 when you want to pay for it.

9 There is an enormous amount of work to do on tax
10 policy. As you and I have talked about, Mr. Chairman, we
11 are playing catchup ball. If you look at what happened
12 in 1986, by this time there had been extensive bipartisan
13 efforts to look at a variety of ways in which both
14 parties could advance principles that they hold dear.

15 Getting tax reform done right and getting it done on
16 a bipartisan basis is in my view one of the premier
17 economic challenges of our time. It is, for example --
18 as you and I have talked about, Mr. Chairman --
19 absolutely key to this matter of setting forth new
20 economic policies that will raise wages -- raise wages
21 for middleclass people that were flat as we saw, once
22 again, in the last economic reports that came out last
23 week.

24 So bringing both sides together on this critical
25 issue, the tax reform question, is the key to a major set

1 of economic reforms that will help us create more good-
2 paying jobs and grow wages for working-class families.

3 It is my hope that Mr. Kautter can help bring
4 Democrats and Republicans together. I talked to a number
5 of people yesterday about him, including our former
6 colleague, an old friend of yours, Mr. Chairman, Jack
7 Danforth, and I plan to support Mr. Kautter's nomination
8 this morning. I believe he will be confirmed, and I look
9 forward to working with him.

10 I yield back.

11 The Chairman. Well, thank you, Mr. Vice Chairman.
12 We appreciate your comments and your support.

13 Does anybody else care to make any comments, because
14 we are going to have to do this off the floor it seems to
15 me?

16 [No response.]

17 The Chairman. Does anybody else care to make any
18 comments?

19 [No response.]

20 The Chairman. Well then, what we will do since we
21 do not have a quorum this morning -- it appears we do not
22 have a quorum -- the committee will reconvene off the
23 floor during a roll call vote of the Senate.

24 So I hope you will all come to that roll-call vote
25 and then -- off the floor -- we will take care of Mr.

1 Kautter at that time.

2 This is an important position. We do not want it to
3 languish. We want to make sure that these people are up
4 and working hard for our country.

5 So with that, we will just recess until after the
6 first roll-call vote. All right.

7 [Whereupon, at 10:10 a.m., the meeting was recessed
8 subject to the call of the chair.]

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10 [The Committee reconvened, pursuant to notice, at
11 12:15 off the Senate floor.]

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13 The Chairman. The committee will come to order.
14 We'll finalize today's session on considering the
15 nomination of David Kautter to be an Assistant Secretary
16 of the Treasury. I now entertain a motion that the
17 committee favorably report the nomination.

18 Senator Wyden. So moved.

19 The Chairman. A recorded vote has been requested.

20 The clerk will call the roll.

21 The Clerk. Senator Grassley?

22 Senator Grassley. Aye.

23 The Clerk. Senator Crapo?

24 Senator Crapo. Aye.

25 The Clerk. Senator Roberts?

1 Senator Roberts. Aye.
2 The Clerk. Senator Enzi?
3 Senator Enzi. Aye.
4 The Clerk. Senator Cornyn?
5 Senator Cornyn. Aye.
6 The Clerk. Senator Thune?
7 Senator Thune. Aye.
8 The Clerk. Senator Burr?
9 Senator Burr. Aye.
10 The Clerk. Senator Isakson?
11 Senator Isakson. Aye.
12 The Clerk. Senator Portman?
13 Senator Portman. Aye.
14 The Clerk. Senator Toomey?
15 Senator Toomey. Aye.
16 The Clerk. Senator Heller?
17 Senator Heller. Aye.
18 The Clerk. Senator Scott?
19 Senator Scott. Aye.
20 The Clerk. Senator Cassidy?
21 Senator Cassidy. Aye.
22 The Clerk. Senator Wyden?
23 Senator Wyden. Aye.
24 The Clerk. Senator Stabenow?
25 Senator Wyden. Aye by proxy.

1 The Clerk. Senator Cantwell?
2 Senator Cantwell. Aye.
3 The Clerk. Senator Nelson?
4 Senator Nelson. Aye.
5 The Clerk. Senator Menendez?
6 Senator Menendez. Aye.
7 The Clerk. Senator Carper?
8 Senator Carper. Aye.
9 The Clerk. Senator Cardin?
10 Senator Cardin. Aye.
11 The Clerk. Senator Brown?
12 Senator Brown. Aye.
13 The Clerk. Senator Bennet?
14 Senator Bennet. Aye.
15 The Clerk. Senator Casey?
16 Senator Casey. Aye.
17 The Clerk. Senator Warner?
18 Senator Warner. Aye.
19 The Clerk. Senator McCaskill?
20 Senator McCaskill. Aye.
21 The Clerk. Mr. Chairman?
22 The Chairman. Aye.
23 The Clerk. The final tally including proxies is 26
24 ayes, 0 nays.
25 The Chairman. The ayes have it. The nomination is

1 favorably reported.

2 [Whereupon, at 12:30 p.m., the meeting was
3 adjourned.]

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STATEMENT OF:

THE HONORABLE ORRIN G. HATCH	
A United States Senator	
from the State of Utah	2

THE HONORABLE RON WYDEN	
A United States Senator	
from the State of Oregon	3