

IRS Pick's Clean Slate May Help Reform Embattled Agency

By **Vidya Kauri**

Law360 (February 12, 2018, 5:44 PM EST) -- Charles Rettig, the California attorney whom President Donald Trump nominated to lead the Internal Revenue Service, is esteemed for his expertise in tax law, but his work to lift the reputation of a cash-strapped agency mired in political controversy may rest on the simple fact that he is not the embattled outgoing IRS chief, John Koskinen.

Rettig is highly regarded as a top-notch tax litigator by his colleagues and other tax professionals who have inevitably crossed paths with him. The Beverly Hills litigator with more than 35 years at Hochman Salkin Rettig Toscher & Perez PC is a visible face at tax conference panels across the country, an active participant on the advisory boards of multiple federal and state taxing authorities and an author published in national tax-related publications.



Charles Rettig

But tax knowledge is just one of Rettig's key strengths. When his predecessor, Koskinen, was appointed in December 2013 to manage a political bias scandal at the IRS, his credibility was strained from the get-go as Republicans accused the IRS of having inappropriately subjected conservative groups seeking tax-exempt status to additional scrutiny.

While Koskinen's pleas to fuming lawmakers to restore funding to an agency hurting from consecutive budget cuts since 2010 fell on deaf ears, Rettig's reputation is spotless and free of the denunciations that encumbered Koskinen, according to Stuart Gibson, a tax attorney at Schiff Hardin LLP and a former litigator in the U.S. Department of Justice's tax division.

"[Rettig] comes in completely free of that, and from what I've seen of the comments from Sen. [Orrin] Hatch and from [Rep. Kevin] Brady, it looks to me like they're going to be ready to work with him, to give him the resources he needs, to restore some of the cuts that have had to be made because of budget issues," Gibson said.

Following word of Trump's decision to nominate Rettig as IRS commissioner, House Ways and Means Committee Chairman Brady, R-Texas, expressed confidence in Rettig as "just the partner we need" to overhaul the IRS.

"Taxpayers have rightfully lost faith in the IRS after years of bad leadership, abuses of power and failed policies," Brady said. "With a new tax code and a willing partner at the IRS who shares our commitment to taxpayer service, now is the time to redesign the agency so it works for all Americans. I look forward to working with Mr. Rettig to do just that."

Senate Finance Committee Chairman Hatch, R-Utah, also welcomed the nomination and noted that "the IRS has been bogged down by scandal and disruption in recent years."

Mardiros "Marty" Dakessian of Dakessian Law Ltd. in Los Angeles told Law360 he has known Rettig since around 2000 and that Rettig has the ability to "bring people together" in addition to having demonstrated integrity while representing taxpayers and playing a leadership role in multiple bar

associations.

Whatever Rettig's priorities will be, whether they end up being increased funding for the IRS or improved customer service, he likely will be able to convince the necessary people why these changes are needed to run the organization efficiently, Dakessian said.

"He knows how to rally people, and he checks all the boxes in terms of qualifications and integrity," he said. "I think he has the capability of certainly getting people to understand his point of view, and I think he will have a lot of credibility no matter who the audience is."

As a tax practitioner, Rettig is a departure from management professionals who have been at the revenue agency's helm for the last two decades. His nomination harks back to May 1997, when Margaret Milner Richardson, the last tax professional to command the IRS, stepped down. Since then, nontax professionals have held the reins, with a mixed track record, starting with Charles Rossotti in November 1997.

Rossotti was brought in to implement a significant restructuring of the IRS and upgrade technological systems, but the way he implemented some of his changes "was extremely disruptive" to the agency's culture and received pushback from within, Gibson said.

Mark Everson continued the trend of nontax professionals leading the agency under the George W. Bush administration, followed by Douglas Shulman and Koskinen, who both got caught up in the political targeting affair.

The switch to having management professionals in the driver's seat meant there was more attention paid to the administrative running of the IRS than the operations involving interfacing with taxpayers such as audits and appeals, according to Gregory Jenner, a tax partner at Stoel Rives LLP who previously served in the Treasury's Office of Tax Policy.

"You sort of got the sense that the commissioner really does need a feel for how the tax system works," Jenner said. "It's sort of like hiring a CEO to run an airline company who's never been in the airline industry. Why would you do that?"

Like the last tax pro to head the IRS, Rettig also understands tax law as well as its administration, Jenner said.

Rettig did not respond to queries regarding his managerial qualifications to oversee a government agency with more than 75,000 employees and an approximately \$11 billion budget, but he released a statement to say he will do his "utmost to improve taxpayer service and protect taxpayer's rights under the law."

While practitioners anticipate he will face a learning curve adapting to his new responsibilities, there is little doubt within the tax community that his empathy for taxpayers and understanding of tax administration will serve him well if his nomination is confirmed by the U.S. Senate.

If Rettig's management skills are unclear, Dakessian said Rettig has exemplified leadership skills through his work on behalf of taxpayers and in bar associations and by attracting talented people who are inspired to work with him.

Not only is Rettig preeminent in the private sector, but he also has been invited to present lectures to the IRS and other government representatives regarding the accountability that the public, government officials and private tax practitioners have to the tax system.

In addition, Rettig, whose son is a captain in the U.S. Army serving overseas, co-founded a scholarship fund at the University of California, Los Angeles, for active-duty and retired military personnel who want to pursue careers in tax, accounting and other areas of the financial services industry.

Rettig's work is indicative of a leader who can solve problems, according to Dakessian.

"Bringing a specific area of organizational knowledge or technical knowledge is less important than

big-picture leadership qualities,” he said. “The folks at the IRS will know that he's somebody who has conducted himself with integrity when representing his taxpayer clients, and the premium that has to be placed on any sort of leadership role within a tax agency is integrity.”

--Editing by Tim Ruel and Vincent Sherry.