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This Is What It'll Take for the Next IRS Commissioner to Succeed

Opinion

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President Joe Biden has nominated Daniel Werfel as the next IRS commissioner. With the right leadership and oversight, the agency can deliver the 21st century service that all taxpayers have the right to expect while taking a big bite out of the \$600 billion-plus annual tax gap, say former IRS commissioners Fred Goldberg and Charles O. Rossotti.

Congress has provided long-term funding to rebuild the IRS so it can effectively serve all taxpayers in the 21st century. The administration has taken the first step to make this program successful by nominating Daniel Werfel, an experienced and accomplished executive with public sector and private sector experience, to be IRS commissioner.

Congress has long known that implementing major change in the IRS requires a commissioner who can make hard management decisions. In the 1998 IRS Restructuring and Reform Act, Congress specified that the appointment of the IRS commissioner "shall be made from individuals who, among other qualifications, have a demonstrated ability in management." Additionally, Congress acknowledged it takes time to make important changes and therefore provided a five-year term for the commissioner. Now is the time for the Senate to act on what Congress itself demanded—a qualified commissioner confirmed for a five-year term.

It is especially important for the Senate to consider and confirm him during its post-election session because the new commissioner must be responsible for planning how to invest the long-term funds provided by Congress. This planning process is already underway. The IRS also faces critical priority decisions as it prepares for the next filing season, which begins shortly after the new year.

Congress has provided funds, and in a narrow accounting sense, the IRS has to say how it will spend the money. But that accounting exercise is not a strategy for making investments that will improve performance. Only a strategy that drives consistent and meaningful improvements in performance, together with transparent and candid communication, will enable the new commissioner to win the confidence of the public and Congress. Money alone won't make that happen.

The risk is that the IRS could just do a little more of everything it is doing today, but that will not work. Because despite many misleading statements by critics about massive increases in the size of the IRS, even after 10 years, the funding Congress provided will only bring the IRS to about 75% of the size relative to the economy that it was in the 1990s.

Unless performance improves markedly, the IRS could end up 10 years from now having spent a lot of money to accomplish only marginally more. And without clear progress along the way, the program would likely be declared a failure before the timer was up.

To realize the results that Congress and the public expect from increased funding, strong consistent leadership from the commissioner and his team will be essential to making and executing complex decisions, such as setting performance goals and measuring performance, setting clear priorities, and making much more effective use of technology, research, and data to improve service and enforcement. The next commissioner will also face a demanding challenge in building relationships of trust with its many stakeholders, most especially Congress—beginning with the confirmation process.

The IRS deals directly with virtually every family, business, and non-profit entity in the US, more than any other institution, and has a significant impact on those it serves. It is therefore appropriate that the IRS be subject to substantial oversight. To this end, eight congressional committees oversee the IRS. They are supported by the General Accountability Office in the legislative branch and the Treasury Inspector General for Tax Administration. Together, these bodies issue hundreds of reports each year on the IRS and investigate any suspected incidents of wrongdoing.

Honest, accurate, and meaningful communication to stakeholders in all these settings is essential to building the commissioner's credibility as an effective leader who is making the IRS work better for all taxpayers. The bedrock principle of American tax administration is rigorous non-political adherence to law. Any actual or perceived deviation from this principle is destructive to the foundation of the tax system and it is uniquely the responsibility of the commissioner to see that this principle is adhered to and believed in by the public.

Equally important is establishing reasonable expectations for progress on service and compliance goals and realistically acknowledging the challenges, risks, and setbacks that inevitably occur. This challenge will only increase because of the long-term funding now available to the IRS. This funding will increase expectations for improved IRS performance as funding can no longer be cited as a major constraint.

With the right leadership in place and ongoing effective oversight, the IRS can—and we believe it will deliver—the 21st century service that all taxpayers have the right to expect from the IRS while taking a material bite out of the \$600 billion-plus annual tax gap, which is an unfair burden on the vast majority of compliant taxpayers.

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