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Koskinen John A

From: Gibbs, Lawrence <(b) (6)>
Sent: Thursday, July 30, 2015 2:35 PM
To: Koskinen John A
Subject: Follow-up
Attachments: SFTI outline rev 10 21 15.doc

John –

I do not understand why we as a country are taking the risks that I believe we are taking with the manner in which we are treating our tax revenue system today. Based on my past experience, these kinds of risks have not coalesced in the past as they are today.

I had intended to share with you a final version of the above that I will be using this fall for two presentations – one in Dallas and the other in Atlanta – at which I plan to try to explain the risks I see and the reasons why I believe the events of the past 50 years are causing these risks to occur. If you wish, I will send you the final version of the above when it is finished. In light of what you are trying to do, I thought it might be well to at least share the above with you now for whatever interest, if any, it may have. A quick way to read the above is to just read the text and not the footnotes, unless some of them interest you. The footnotes represent the authority for my statements in the text.

In the above, I look at significant changes in our tax system, primarily as they affect tax administration at the IRS and in Chief Counsel, over the last 50 years that I have been practicing in the private and public sectors. It seems to me that the net result of the confluence of the changes is that today we are asking too much of our tax system and too many of those involved in, affecting, or affected by our tax system are doing too little to support the tax system/IRS to do what we are asking them to do.

I do not conclude that we as a country have lost confidence in our tax system, but when you look at the trend-lines of all the changes that have taken place in our tax system, I do say we are beginning to take risks that seem to me to make no sense in light of the directions we appear to be headed with our tax system.

(As an aside, I believe some are risks not only with our tax system but also with other federal agencies as well. To me, this means that the ultimate risk we are taking is not limited to the IRS and our tax system, but with the trust and confidence of many Americans in our form of government since I submit the IRS and the other federal agencies are the face of, and the form of, our government to many in our country today.)

My question with regard to our tax system is, regardless of how serious one believes the risks may be right now, why are we willing to continue to take these kinds of risks at all by proceeding as we appear to be headed in light of the trends that have developed over the last 50 years?

At this point, I intend to be provocative. I do not offer solutions because, unless and until there is some traction for the idea that we are taking inappropriate risks, I am reluctant to get into solutions that are likely to be difficult and perhaps controversial. The obvious place to start with my solutions for the IRS, however – at least based on the above -- is to discontinue piling more responsibilities onto the IRS, increase IRS funding to enable it to better perform its present responsibilities, or both of the foregoing. Even this is likely to be controversial – so ultimately I ask – do we really believe we

ought to continue to head in the direction we appear to be on with our tax system and its face, which is the IRS?

I have tried to resist, and I have asked others to help me avoid, appearing to be an old, white guy who yearns for days gone by. I am now asking a lot more folks to help me. So please feel free to critique my effort. I do realize that we may not be totally in sync with the approach each of us may be taking, but I would hope our overall objectives would be harmonious.

In short, I think your past Congressional efforts are worthwhile. If I can help you, let me know. Because the above is a work in progress, I would ask you to keep it to yourself.

Larry

From: Koskinen John A [mailto:John.A.Koskinen@irs.gov]
Sent: Thursday, July 30, 2015 11:52 AM
To: Gibbs, Lawrence
Subject: RE: Follow-up

Larry,

Thanks for your note and your valuable and unique perspective on all of this.

I have been trying, especially in my private meetings with Congressmen and Senators which are nearing 100, to get them to understand this risk. When, in public, they keep saying people have no confidence in the IRS what should we do about it, I am tempted to respond, quit saying people don't have confidence in the IRS. At some point, it becomes a self-fulfilling prophecy.

With luck, the Finance Committee report next week will help close the door on the C(4) issue and allow us to move on to a more rational discussion about the agency, its challenges and its proper funding. Of course, I'm an optimist, which is how you survive these things.

I'm looking forward, as always, to our lunch.

John

From: Gibbs, Lawrence [mailto:(b) (6)]
Sent: Thursday, July 30, 2015 11:37 AM
To: Koskinen John A
Subject: Follow-up

John –

I just read Ted Cruz's comments to you yesterday.

The difference between the Nixon era and today is that, when there were allegations about President Nixon using the IRS for improper purposes, **both parties** agreed that there was a need for a truly "independent counsel" to be able to (1) use his extraordinary legal powers (that the Congress did not, and does not, have) to get to the bottom of what actually happened between the White House and the IRS and (2) make a report to the American people that would be credible – much more credible than if either the Administration or the Congress authored the report.

I know because I was at the IRS for all of the Watergate investigation.

Today, it is my opinion that, instead of doing the right thing, both parties have decided to play politics with the IRS situation, which may be in the best political interest of each party but is not in the country's best interest.

Forty years ago we had political leaders in both parties who understood the importance and seriousness of finding out what actually happened at the IRS during President Nixon's tenure, and both parties put the interests of the country and its institutions ahead of party interest.

Today we no longer have such leaders.

When you initially testified before Congress during your confirmation hearing, you said you knew of no organization that took its revenue operation and starved it for funds to see how it does. I know of no country that would intentionally so denigrate its revenue system, which ultimately depended upon the willingness of the populace to comply with the country's tax laws, as to risk a loss of trust and confidence in its revenue system such as our political leaders in both parties are risking today.

Our country may well pay a dear price for our lack of political leadership in the United States today.

Larry

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