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As the Filing Deadline Nears, the Top Tax Man Reflects

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WASHINGTON

As a few protesters gathered in front of the Internal Revenue Service building on a warm April day, Charles O. Rossotti was cool and relaxed in his third-floor office, reflecting on his three and a half years running the agency.

He recalled saying, just after the Senate unanimously confirmed him as the 45th commissioner of internal revenue in November 1997, that it would take a decade to turn the I.R.S. around.

"That was one of my few accurate predictions," Mr. Rossotti said. If anything, he said, the job has been even tougher, and will take longer, than he had thought. So when pressed to say what he should have done differently, he spoke of expectations.

"I tried to set them early," he said. "I don't know if I was as forceful as I should have been."

And late last week, the I.R.S. Oversight Board, created by Congress to supervise the agency, said inadequate financing was keeping the I.R.S. from being as forceful as it should be in going after delinquents. The board said that if the agency did not get more money to do its job, tax cheating would continue to flourish — with honest Americans footing the bill.

The board's report was just the latest bad news for the incurably optimistic Mr. Rossotti.

Early on, he saw that the agency's computers were even older than he had expected. "It was just stunning," he said. "Amazing. I think some stuff dated to the Kennedy administration." Mr. Rossotti knows computers: in 1970, he co-founded American Management Systems, a computer systems and consulting company with headquarters in Fairfax, Va. Last year, the company had nearly 9,000 employees in 51 offices around the world and reported sales of nearly \$1.3 billion.

Mr. Rossotti also discovered that a taxpayer calling an I.R.S. office for advice had a good chance of getting a busy signal. "We had 400 million busy signals one year," he said. "More busy signals than there are taxpayers. That's not a good thing."

If he were running, say, a restaurant that needed renovating, he could simply close it for a couple of weeks. But no matter how much the



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CHARLES O. ROSSOTTI

I.R.S. needed an overhaul, he said, "you can't close it down for remodeling. That's one thing that's been difficult."

Mr. Rossotti said spring was a busy time, not so much because a torrent of paperwork was flooding the agency ("I don't go in and key-punch the returns, after all"), but because of hearings on Capitol Hill.

In recent weeks, as the April 16 deadline for individuals to file tax returns approached, he has conceded to lawmakers that the I.R.S. awoke late to fraud schemes promoted on the Internet among people with high incomes. Senator Charles E. Grassley, the Iowa Republican who heads the Senate Finance Committee, worried aloud that the I.R.S. was "a dog that doesn't have a bark."

Mr. Rossotti could have reminded the lawmakers that after Senate hearings in 1997 and 1998 about I.R.S. abuse of taxpayers, the agency was told in effect to ease up. Congress passed legislation in 1998 that shifted the burden of proof in many disputes from the citizen to the agency. But Mr. Rossotti is a polite man, and far too circumspect to argue in public with elected politicians.

Some of the more sensational accounts of I.R.S. bullying were later discredited. In con-

versation, Mr. Rossotti agreed that the stories had been "over-dramatized." But, he added diplomatically, "They did identify problems."

And perhaps they created some. The enforcement budget and staff were reduced, and the total I.R.S. work force, now about 98,000, declined 17 percent from 1992 to 2000, while the number of tax returns grew by 13 percent.

Inevitably, Mr. Rossotti said, audits have declined. "We need to turn things around," he said.

Not that he distrusts the people. The great multitude, from Main Street and Wall Street, try to do the right thing, he said. "They are an enormous asset, a tremendous asset. And we're an agency for the vast majority, the honest taxpayers."

The protesters outside I.R.S. headquarters were complaining about automatic withholding by employers and attracted little notice. There has been far more

publicity of late about offshore banks, creative shelters and other tax-shaving devices.

BEFORE Mr. Rossotti took office, the agency had come to be viewed as a bureaucratic behemoth, hamstrung by outdated computers that could not talk to one another and mired in a quagmire of old attitudes, including an adversarial relationship with taxpayers.

The I.R.S. was headed by accountants and tax lawyers for much of its history before President Bill Clinton picked Charles Ossola Rossotti in 1997. As an entrepreneur and businessman, he was a different kind of choice. And he was not naïve about Washington, having worked in the Defense Department early in the Nixon administration.

His five-year term ends in November 2002. Since Mr. Rossotti, 60, is a Republican, it would not be surprising if President Bush renominated him.

One thing he does not worry about, whether on the job, at home in Washington or sailing on Chesapeake Bay, where he and his wife, Barbara, a lawyer, have a second home, is his own tax return. "I've had a professional preparer for 25 years," he said. "I just don't have the time."