

FROM: Minority Finance Committee Tax Staff
DATE: March 1, 2010
RE: Jeffrey Goldstein Nomination

Mr. Goldstein is nominated to be Treasury Under Secretary for Domestic Finance. The following Assistant Secretaries report to the Under Secretary:

- Assistant Secretary for Financial Markets
- Assistant Secretary for Financial Institutions
- Fiscal Assistant Secretary
- Assistant Secretary for Financial Stability

Mr. Goldstein has worked at The Brookings Institution, the Treasury Department, the World Bank, and a private equity firm before returning to the Treasury Department. Mr. Goldstein's position as managing director at the private equity firm raises questions about that firm's utilization of blocker corporations. Mr. Goldstein also received carried interests in the investments that the private equity firm managed.

In September 26, 2007, the Finance Committee held a hearing on offshore tax issues. The use of blocker corporations, particularly offshore blocker corporations, by tax-exempt entities was a major topic of that hearing. While such investments are currently legal, it is clear that these investments are made solely for tax avoidance purposes. The offshore entities themselves have no business purpose other than to cycle money in and out from and to investors.

Separately, the taxation of carried interest has been the subject of much debate and discussion. The Finance Committee held three hearings in 2007 to discuss whether carried interest should be taxed as ordinary income. Carried interest is currently taxed at capital gains rates. HR 4213, the House passed Tax Extenders Bill the Senate will consider today, includes a proposal to tax such income as ordinary income.

Given the Committee's interest in both the use of offshore blocker corporations and the taxation of carried interest, Senator Grassley questioned Mr. Goldstein extensively on these topics. Written questions and responses are attached. Information provided by the private equity firm related to its operations has been redacted.