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Geithner's Tax Code

The nominee explains his payment 'mistake.'

Nobody likes a know-it-all, so perhaps there was some useful humanity in Tim Geithner's imperfect answers during yesterday's Senate confirmation hearings. The Treasury nominee faced questions about his failure to pay payroll taxes for several years, and he's lucky the votes on his confirmation will come from Senators, and during a financial panic, rather than from a jury of his taxpaying peers.

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According to Mr. Geithner, he initially failed to pay payroll taxes on income he received from the International Monetary Fund in 2001, and then repeated the error in the three subsequent years, despite the help of an accountant. Apologizing to the committee, he took responsibility for what he called "careless" and "avoidable" mistakes while insisting they were unintentional. He acknowledged signing an IMF statement at the time that he understood he had been reimbursed

to pay those self-employment taxes, adding that he should have read the statement more carefully. Millions of Americans have said the same thing about the tax code during an IRS audit, earning less forgiveness.

Democrats found this all understandable, notably Chairman Max Baucus. The Montana Democrat has heretofore been the scourge of the "tax gap," which is the estimated difference between what taxpayers should owe under the law and what the IRS collects. In Mr. Geithner's case, Mr. Baucus stuck to the party line that these were "disappointing mistakes" but also "innocent ones." If the Geithner episode achieves nothing else, we hope it means we will have to hear no more tax-gap griping from Mr. Baucus.

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Perhaps the most embarrassing moment for Mr. Geithner was his attempt to evade the questions by Arizona Senator Jon Kyl on why he had only remedied the error on back taxes for two of the four years. Because the statute of limitations had run out on the 2001-2002 tax payments, Mr. Geithner was not legally required to pay them -- and didn't until a Treasury confirmation hearing seemed possible.

But instead of fessing up that he had obeyed only the letter of the law, he insisted yesterday that, gee whiz, the earlier tax dodge didn't even occur to him -- an excuse that came off as legalistic and implausible. His replies finally brought Mr. Kyl to insist, "Would you answer my question rather than dancing around it -- *please?*"

Mr. Geithner replied that "I did not believe I was avoiding my liability," and that he had worked in government his entire life and "would never put myself in the position where I was deliberately not meeting my obligation as a taxpayer."

The Senate seems poised to confirm Mr. Geithner in any case, and we'd agree this isn't a disqualifying offense. If President Obama wants Mr. Geithner's counsel, he should get it. We can only hope that the new Treasury Secretary has learned a lesson in accountability, and that he has a new appreciation for the complications of our insane tax code.

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