

# Obama performance chief Killefer out, citing taxes

 AP Associated Press

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WASHINGTON – Nancy Killefer withdrew her candidacy to be the first chief performance officer for the federal government on Tuesday, saying she didn't want her bungling of payroll taxes on her household help to become a distraction for the Obama administration.

Killefer was the second major nominee to withdraw and the third to have tax problems complicate nominations after President Barack Obama announced he had chosen them.

In a brief letter to Obama, the 55-year-old executive with consulting giant McKinsey & Co. wrote that she had "come to realize in the current environment that my personal tax issue of D.C. unemployment tax could be used to create exactly the kind of distraction and delay" that must be avoided in responding to urgent economic problems.

She offered no further details of her tax difficulties.

Obama took no questions Tuesday after announcing his choice of Sen. Judd Gregg to be commerce secretary. He left the White House lectern ignoring a shouted question about why so many of his nominees have tax problems.

When Killefer's selection was announced by Obama on Jan. 7, The Associated Press disclosed that in 2005 the District of Columbia government had filed a \$946.69 tax lien on her home for failure to pay unemployment compensation tax on household help. Since then, administration officials have refused to answer questions about the tax error, which she resolved five months after the lien was filed.

Obama's first choice for commerce secretary, New Mexico Gov. Bill Richardson, took his name out of consideration when his confirmation appeared headed toward complications because of a grand jury investigation over how state contracts were issued to political donors.

More recently, Timothy Geithner was confirmed as treasury secretary despite belatedly paying \$34,000 in income taxes, and Tom Daschle is still waiting to see if his late payment of more than \$128,000 in income taxes will harm his nomination to be health and human services secretary.

On paper, Killefer brought impressive credentials to the two jobs Obama selected her for: deputy director for management at the Office of Management and Budget, which requires Senate confirmation, and a new White House post, chief performance officer for the entire federal government, which does not require confirmation.

Killefer oversees McKinsey's management consulting for government clients. During 1997-2000 in the

Clinton administration, she was assistant treasury secretary for management. As such she was the chief financial officer and chief operating officer for the Treasury Department and its 160,000 employees, and she led a modernization of its largest component, the Internal Revenue Service.

The AP reported that on March 7, 2005, the D.C. Department of Employment Services slapped a tax lien on her home in the upscale Wesley Heights neighborhood. The local government alleged that beginning three years after she left the high-powered Treasury post she failed to pay unemployment compensation tax for a household employee. She failed to make the required quarterly payments for a year and half, the D.C. government said, whereupon a lien for \$946.69 was placed on her home.

That sum included \$298 in unpaid taxes, \$48.69 in interest and \$600 in penalties. Killefer didn't get the lien extinguished for almost five months, until July 29, 2005.

During that period, Killefer and her husband, an economics professor, had two nannies to help care for their teenage son and daughter, and she had a personal assistant to run things when she was on the road, she told Harvard business students back then.

Ignoring payroll taxes on household help has sunk nominees before. Failure to pay Social Security taxes for a nanny and chauffeur kept corporate lawyer Zoe Baird from becoming President Bill Clinton's attorney general in 1993. Similar problems either blocked or bedeviled other nominees. Still others overcame them, including Shirley S. Chater, the university president who was confirmed to head the Social Security Administration under Clinton despite failing to pay Social Security taxes for a part-time baby sitter.

Bobby Tucker, chief of D.C.'s unemployment insurance tax division, said filing tax liens is "not a common practice" for his office. D.C. law authorizes such liens when an employer "neglects and refuses" to pay the levy that helps pay for unemployment benefits for those laid off or fired. Tucker said his auditors have discretion to use tax liens based on "the number of attempts to collect contributions owed, whether or not the employer responds to written attempts, phone calls and-or in-person visits" to collect the tax.

Tucker said, however, that his department's lawyers would not let him discuss the specifics of Killefer's case.

White House spokesman Tommy Vietor said simply on Tuesday, "Nancy Killefer has decided to withdraw her nomination, and we accepted her withdrawal. Since acknowledging Killefer's unemployment tax error on Jan. 7, Vietor had declined to amplify or answer followup questions, saying he couldn't respond because she was still completing the Obama transition team's questionnaire for nominees.

Her nomination was never formally sent to Congress. And Killefer herself did not respond to messages left for her.

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