

# THE NEW **IRS** STANDS UP

*What the Modernized Agency Means for You*

**JANUARY 13-14, 2000**  
**HYATT REGENCY WASHINGTON**  
**WASHINGTON, DC**



Department of the Treasury  
Internal Revenue Service





# THE NEW IRS STANDS UP

## What the Modernized Agency Means for You

Thursday

January 13, 2000

Welcome .....	8:30am-8:45am	Regency A
Opening Remarks .....	8:45am-9:30am	Regency A
<i>Charles O. Rossotti, Commissioner, Internal Revenue Service</i>		
<i>"Why Is the IRS Modernizing, and What Will It Mean for You?"</i>		
Panel 1 .....	9:30am-10:45am	Regency A
<i>An Overview of Modernization</i>		
Panel 2 .....	11:00am-12:15am	Regency A
<i>Consistency &amp; Coordination Issues Under Modernization</i>		
Luncheon .....	12:15am-2:00pm	Ticonderoga
<i>Special Guest: Lawrence H. Summers, Secretary of the Treasury</i>		
Panel 3 .....	2:00pm-3:15pm	Regency A
<i>The Guidance Process Under Modernization</i>		
Panel 4 .....	3:30pm-5:00pm	Regency A
<i>Changes to the Tax Controversy Process Under Modernization</i>		
Reception .....	5:00pm-7:00pm	Yorktown

Friday

January 14, 2000

Panel 5 .....	8:30am-11:00am	
<i>Breakout Sessions:</i>		
Wage & Investment .....		Columbia A
Small Business & Self-Employed .....		Columbia Foyer
Large & Mid-Size Business .....		Regency A
Tax Exempt & Government Entities .....		Valley Forge
Panel 6 .....	11:15am-Noon	Regency A
<i>"Ask the IRS"</i>		



COMMISSIONER

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

January 13, 2000

Dear Conference Participant:

I welcome you to the first national conference on Internal Revenue Service (IRS) modernization. The IRS, in cooperation with the American Tax Policy Institute (ATPI), American Bar Association (ABA), American Institute of Certified Public Accountants (AICPA), National Association of Enrolled Agents (NAEA), and the Tax Executives Institute (TEI), is cosponsoring this event designed to provide taxpayers and tax practitioners with a modernization update. The goal of our conference is to begin a dialogue about the progress we have made and the challenges we face today and in the future.

This binder is your reference guide for the conference, and I trust it will be useful to you well after the conference concludes. It contains important, up-to-date information about all four Operating Divisions – Wage and Investment (W&I), Small Business Self-Employed (SB/SE), Large and Mid-size Business (LMSB), and Tax Exempt/Government Entities (TE/GE). It also provides information about the Functional Divisions, including the Taxpayer Advocate Service, Chief Counsel, Appeals, and Criminal Investigation.

On Day One of the conference, the discussions will focus on cross-cutting issues relevant to a wide range of taxpayers and practitioners. The panelists will include representatives from each of the Operating and Functional Divisions. Panel 1 will describe the most important structural changes of modernization, such as transition issues and geographic distribution of the Operating and Functional Divisions. Panel 2 will address consistency and coordination issues between the Divisions under modernization. Panel 3 will focus on changes to the guidance process, and Panel 4 will address changes to the tax controversy process.

Day Two of the conference will be an opportunity for you to engage in an interactive dialogue with the panelists during the breakout session of your choice. Panelists representing each Operating Division in the new IRS will give brief presentations about their respective Divisions and then provide detailed answers to your questions.

Thank you for joining us in a first glimpse at the new structure of the IRS. I look forward to an informative and productive two days.

Sincerely,

  
Charles O. Rossotti



## The New IRS Stands Up: What the Modernized Tax Agency means to YOU

### Introduction

The idea for the Modernization Conference originated at a board meeting of the **American Tax Policy Institute (ATPI)**, a non profit organization devoted to exploration of and education about significant policy and administrative areas in the tax law. The concept was to create a private-public forum in which to examine the significance, complexity and magnitude of the changes the Internal Revenue Service IRS is currently undergoing through the modernization process. ATPI's board recognized the need to provide practitioners and IRS officials an opportunity to discuss "the most important and far-reaching developments in the last 50 years in the tax law" in an open and interactive manner.

Members of ATPI first approached IRS Commissioner Charles Rossotti with this idea. The Commissioner enthusiastically endorsed the conference concept and agreed to become personally engaged in its development. The ATPI then invited the **ABA (American Bar Association)**, **AICPA (American Institute of Certified Public Accountants)**, **NAEA (National Association of Enrolled Agents)**, and **TEI (Tax Executives Institute)** to become co-sponsors. The result of this private-public partnership is a conference agenda that reflects the interests of the practitioners and addresses their questions about the new IRS.

Throughout the Modernization process, the IRS has engaged the various practitioner groups to better understand the issues and concerns relevant to them and to their members. The IRS has endeavored to address these issues and to incorporate their views where possible while developing a more efficient and responsive tax agency.

The collective efforts of these groups have made "THE NEW IRS STANDS UP: *What the Modernized Agency Means for You*" a reality. The objective of this one and a half-day conference is to address fundamental questions tax practitioners may have about IRS Modernization, such as What is it? How and when will it be implemented? What will be its effect inside and outside the IRS? And much, much more...

Thank you for attending and enjoy the conference!



# The New IRS Stands UP Modernization Conference January 13 – 14, 2000

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Panel 2:	Consistency and Coordination Issues Under Modernization
Panel 3:	The Guidance Process Under Modernization
Panel 4:	Changes to the Tax Controversy Process Under Modernization
Panel 6:	"Ask the IRS"

### Section 2: Breakout Sessions

<u>Panel 5 (four concurrent sessions)</u>	
Session A:	Wage & Investment Operating Division
Session B:	Small Business/Self-Employed Operating Division
Session C:	Large & Mid-Size Operating Division
Session D:	Tax Exempt & Government Entities Operating Division

### Section 3: Panelist Biographies

### Section 4: Appendix

Appendix A:	Chief Counsel
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Appendix C:	Contact Information



## **Session Objective**

The panel will briefly describe the most important changes of the Modernization effort, including the establishment of the four new Operating Divisions, the impact upon taxpayers and their representatives, and what to expect in 2000. The Taxpayer Advocate will highlight taxpayer impact on the establishment of the new Office of Taxpayer Advocate Services.

## **Moderator and Panelists**

### **Moderator:**

*Fred T. Goldberg, Jr - Skadden, Arps, Slate, Meagher & Flom LLP, former Assistant Secretary of Treasury for Tax Policy, IRS Commissioner, and IRS Chief Counsel*

### **Panelists:**

<i>John LaFaver</i>	<i>Deputy Commissioner Modernization, Internal Revenue Service</i>
<i>John Dalrymple</i>	<i>Commissioner Designee, Wage and Investment Division, Internal Revenue Service</i>
<i>Joseph Kehoe</i>	<i>Commissioner Designee, Small Business/Self Employed Division Internal Revenue Service</i>
<i>Jerry Songy</i>	<i>Executive Director, Modernization Design, Internal Revenue Service</i>
<i>Larry Langdon</i>	<i>Commissioner, Large and Mid-Size Business Division, Internal Revenue Service</i>
<i>Evelyn Petschek</i>	<i>Commissioner, Tax Exempt and Government Entities Division, Internal Revenue Service</i>
<i>Val Oveson</i>	<i>National Taxpayer Advocate, Internal Revenue Service</i>

## ***Modernization Update***

### **The New IRS Stands UP**

## **Panel 1: Overview**

### ***What the Modernized Agency Means for YOU***

Since January 1998 and continuing with the enactment of the Restructuring and Reform Act of 1998, the Internal Revenue Service (IRS) has been working to provide top quality service to taxpayers by helping them understand and meet their tax responsibilities, and by applying the tax law with integrity and fairness.

To accomplish this new mission, the IRS needs to understand and solve problems from the taxpayer's point of view; ensure that managers are more accountable; and implement balanced measures of performance to measure taxpayer and employee satisfaction. To meet these objectives, the new IRS structure will be organized around four major taxpayer segments: wage and investment taxpayers; small businesses and self employed taxpayers; large and mid-sized businesses; and tax exempt and government entities.

Each step we take to modernize America's tax agency brings us closer to our strategic goals: top quality service to each taxpayer, top quality service to all taxpayers and productivity through a quality work environment. Throughout the modernization process, we have always been committed to maintaining and enhancing critical services such as new procedures to ensure taxpayer rights; improved access on the telephone; expanded availability of bilingual assistors over the telephone for Spanish speaking taxpayers; and standardization of operations in the Taxpayer Assistance Centers. These services demonstrate identifiable progress already made toward developing a more taxpayer-friendly organization. Overall, we are aiming to make the modernization transition effort transparent from the taxpayers' perspective to minimize disruption of service.

The new IRS structure will significantly reduce the number of management layers and points of entry from 43 areas to four Operating Divisions, solely dedicated to the specific needs of each taxpayer segment. This new centralized focus will help

## **Overview**

### ***What the Modernized Agency Means for YOU***

ensure uniform and consistent practices across geographic lines. This change will be carefully synchronized to ensure a smooth transition to the new structure in late 2000.

The four Operating Divisions will be fully responsible for all of the tax administration needs of specific corresponding taxpayer segments. The Wage and Investment Operating Division will serve approximately 116 million taxpayers, whose taxes are primarily reported by and collected through third parties, such as employers and financial institutions. The Small Business/Self-Employed Operating Division will serve approximately 45 million filers composed of fully or partially self-employed individuals and small businesses. The Large & Mid-size Business Operating Division will serve corporations with assets greater than \$5 million. Finally, the Tax Exempt & Government Entities Operating Division will serve three very distinct taxpayer segments: Employee Plans, Exempt Organizations and Government Entities.

Working with our consultants, the IRS first validated this new structure organized around the four Operating Divisions. IRS design teams then developed a detailed blueprint of the new organization, prepared comprehensive implementation plans and built broad ownership for change within the IRS. External feedback from practitioner organizations was solicited and considered throughout this process.

Beginning in January 2000, IRS teams will refine implementation details with the goal of having the modernized four-division structure, including executive leadership and budget authority, in place by October 2000. The new divisions will become fully operational in stages with Tax Exempt and Government Entities already operational since December. Large and Mid-Size Business becomes operational in March 2000, followed by Wage and Investment and Small Business/Self-Employed in the fall of 2000. We have already selected our top management teams for each of the four divisions.

There will be no immediate impact in 2000. This year's filing season will be unaffected. In fact, taxpayers will not see any change in where to file their returns or other processing changes until 2002 at the earliest. The IRS will advise those affected well in advance of any changes in filing requirements. Taxpayer assistance will be available at current sites,



## **Overview**

### ***What the Modernized Agency Means for YOU***

practitioner hotlines will continue and field contacts and liaison relationships will be unchanged as the IRS transitions to the new structure.

Once operational, most taxpayers will interact with only one Operating Division; all decisions related to a taxpayer case will be handled within that division by a dedicated IRS management team. All taxpayer records will be available to authorized employees in any Operating Division. The intended result under this new structure is that taxpayers and their representatives will have better access to IRS management and staff who have the necessary training, ability and decision-making authority to resolve issues quickly.

There will be more emphasis on pre-filing services and early resolution of complex issues for each of our Operating Divisions. A greater proportion of IRS resources will be allocated to pre-filing activities, such as education and outreach, and early intervention to help taxpayers comply with the tax laws. Post-filing activities will be geared to problem prevention and a risk-based analysis approach with targeted enforcement activities for the noncompliant.

External liaison activities in the field will continue while a national presence will be maintained and enhanced at IRS Headquarters. To reduce any undue disruptions, changes to the field structure will occur in phases during 2000. Taxpayers and practitioners will continue to work with their current contacts unless the IRS notifies them of a change. In addition, localities will publish directories of local phone numbers and make contact information available on the Digital Daily web site. At the local level, current liaison relationships, such as District liaison groups, will continue and become enhanced. Field Territory Managers in the Taxpayer Education and Communication (TEC) organization will have lead responsibility for managing relationships with practitioners in their territories, including organizing liaison meetings and seeing that systematic issues are addressed.

Three elements are vital to the success of the modernization effort. First, it is essential that all participants in, and observers of, this process acknowledge the realistic time requirements of full implementation. Second, continued resource support is necessary to ensure successful implementation. And third, continued interest and support from key stakeholders are critical

## **Overview**

### ***What the Modernized Agency Means for YOU***

and must be sustained. The modernization process is a wide-ranging and long-term endeavor based on a private-public partnership. The IRS is committed to continuing its stewardship of the tax administration function while implementing a more transparent, customer-focused system that will benefit taxpayers, practitioners and businesses well into the future.

### **Session Objective**

This panel will discuss how the Operating Divisions will communicate with one another, coordinate substantive issue positions, and interact with the IRS functional and support divisions.

### **Moderator and Panelists**

#### **Moderator:**

*Michael E. Mares, Witt, Mares & Company, PLC, Newport News, VA; Immediate Past Chair, Tax Executive Committee, AICPA; Member, IRS Advisory Council*

#### **Panelists:**

<i>Claudia Hill</i>	<i>EA, Tax Mam, Inc., Cupertino, CA; Chair Government Relations Committee National Association of Enrolled Agents</i>
<i>Bob Wenzel</i>	<i>Deputy Commissioner Operations, Internal Revenue Service</i>
<i>Stuart Brown</i>	<i>Chief Counsel, Internal Revenue Service</i>

### **Discussion Points**

- The IRS will provide service through a number of contact points, including 400 taxpayer assistance centers; the 1-800 phone number, which will be unchanged and routed to customer service representatives based on subject matter; the new Taxpayer Advocate Service Office; and current Appeals avenues, which are being expanded.
- Once operational, most taxpayers will interact with only one operating division. All decisions related to a taxpayer case will be handled within that division by a dedicated IRS management team. A greater proportion of IRS resources will be allocated to pre-filing activities, such as education and outreach and early intervention to help taxpayers comply with the tax laws. Post filing activities will be geared to problem prevention and risk based analysis with targeted enforcement activities for the intentionally non-compliant.

- 
- The number of major units with responsibility for administering tax decisions with taxpayers will be reduced from 43 districts and service centers to four operating divisions, greatly reducing the likelihood of inconsistency in treatment of taxpayers. In addition, the work of the nine Assistant Commissioners in charge of functional areas in the National Office and regional offices have been combined into three major areas in each operating division: pre-filing, filing and post-filing.
  - Many tax issues do not affect all operating divisions. For example, approximately 80% of the tax code does not apply to taxpayers in the Wage and Investment Division. For those tax issues that overlap the divisions, tax treatment will be coordinated to ensure consistency.
  - All programs in the National Office, including collection and exam programs, have been assigned to a single program responsibility area in one of the operating divisions. This responsibility area will have responsibility for coordination of any program changes with other affected operating divisions. The overall coordination will be overseen by the Deputy Commissioner for Operations.
  - The Chief Counsel technical staff will remain organized around technical tax areas in the National Office in order to ensure consistent legal interpretations in all operating divisions. There will be close coordination among the Chief Counsel components (Division Counsel and the National Office) to ensure correct, uniform interpretations of the internal revenue laws.
  - Nationwide, 100 Territory Managers and Area Managers will assume responsibility for practitioner liaison relationships and resolution of systematic issues in the field.



## **Session Objective**

The panel will address how the modernized IRS Operating Divisions, the Office of the Chief Counsel, and the Department of the Treasury, will identify emerging issues, develop published guidance and maintain consistency and uniformity in tax law interpretations across Divisional lines.

## **Moderator and Panelists**

### **Moderator:**

*Kenneth W. Gideon, Wilmer, Cutler, & Pickering, Washington, DC; former Assistant Secretary for Tax Policy, Department of the Treasury*

### **Panelists:**

<i>Robert Ashby</i>	<i>Vice President of Taxation (U.S.) Tax Executives Institute</i>
<i>Douglas P. Stives</i>	<i>Partner, Curchin &amp; Company</i>
<i>Jonathan Talisman</i>	<i>Acting Assistant Secretary for Tax Policy, Department of the Treasury</i>
<i>Larry Langdon</i>	<i>Commissioner, Large &amp; Mid Size Business Division, Internal Revenue Service</i>
<i>Stuart Brown</i>	<i>Chief Counsel, Internal Revenue Service</i>
<i>Judith Dunn</i>	<i>Associate Chief Counsel (Domestic), Internal Revenue Service</i>

## **Discussion Points**

- The IRS and Treasury are committed to greater use both of published guidance and of other pre-filing issue resolution techniques to improve tax administration.
- The published guidance process will have increased participation by the IRS Operating Divisions and a close working partnership among these Operating Divisions, the Office of Chief Counsel, and the Office of Tax Policy.

- The Office of Chief Counsel will continue to provide impartial legal interpretation of the tax law in various forms of case-specific guidance, such as PLRs, TAMs APAs and FSAs. There will be close coordination among the Counsel components (Division Counsel and National Office) to ensure correct, uniform interpretation of the internal revenue laws.
- New pre-filing strategies are being developed by the Operating Divisions, like Large and Mid-Size Business, to address the need for more up-front issue resolution. New processes for pre-filing agreements and pre-filing advice will be pilot tested and announced formally prior to implementation.

### **Session Objective**

This panel will discuss procedural, personnel, and geographic changes to the tax controversy process under Modernization, including a focus on new alternative dispute resolution techniques and changes in litigation. Timetables and transition issues also will be discussed.

### **Moderator and Panelists**

#### **Moderator:**

*Hon. Mary Ann Cohen, Chief Judge, U.S. Tax Court, Washington, DC*

#### **Panelists:**

<i>Jerold Cohen</i>	<i>Partner, Sutherland, Asbill &amp; Brennan LLP; Chair, Internal Revenue Service Advisory Committee</i>
<i>Robert McKenzie</i>	<i>Member, McKenzie &amp; McKenzie, P.C.</i>
<i>Dan Black</i>	<i>National Director of Appeals, Internal Revenue Service</i>
<i>Val Oveson</i>	<i>National Taxpayer Advocate, Internal Revenue Service</i>
<i>Joseph Maselli</i>	<i>Regional Counsel, Northeast Region, Internal Revenue Service</i>

## **Modernization Update**

### **The New IRS Stands UP**

## Meet the New IRS

### Appeals

#### **Appeals At-a-Glance**

**Mission:** To resolve tax controversies, without litigation, on a basis which is fair and impartial to both the Government and the taxpayer, and in a manner that will enhance voluntary compliance and public integrity and efficiency of the Service.

**Headquarters:** Washington, DC

**National Director:** Daniel L. Black, Jr.

**Appeals Field Offices Aligned with Operating Divisions:**

**L MSB Area HQ Offices:** Chicago, IL; Houston, TX; Manhattan, NY; New Jersey; Northern California

**SB/SE & TE/GE HQ Offices:**

Baltimore, MD; Denver, CO; Laguna Niguel, CA; Philadelphia, PA; Chicago, IL; Detroit, MI; Manhattan, NY; San Francisco Bay Area; Dallas, TX; Jacksonville, FL; Nashville, TN; St. Paul, MN

**W & I:** TBD

**Field Offices throughout the nation:** See current Appeals Customer Service Representative Directory

## Appeals Organization

Appeals provides taxpayers with an independent, impartial review of their cases after an audit is completed or collection action is proposed. It is the last opportunity for the IRS and the taxpayer to agree before a case goes to court. Appeals plays a critical role in ensuring that taxpayers have an opportunity to resolve their dispute.

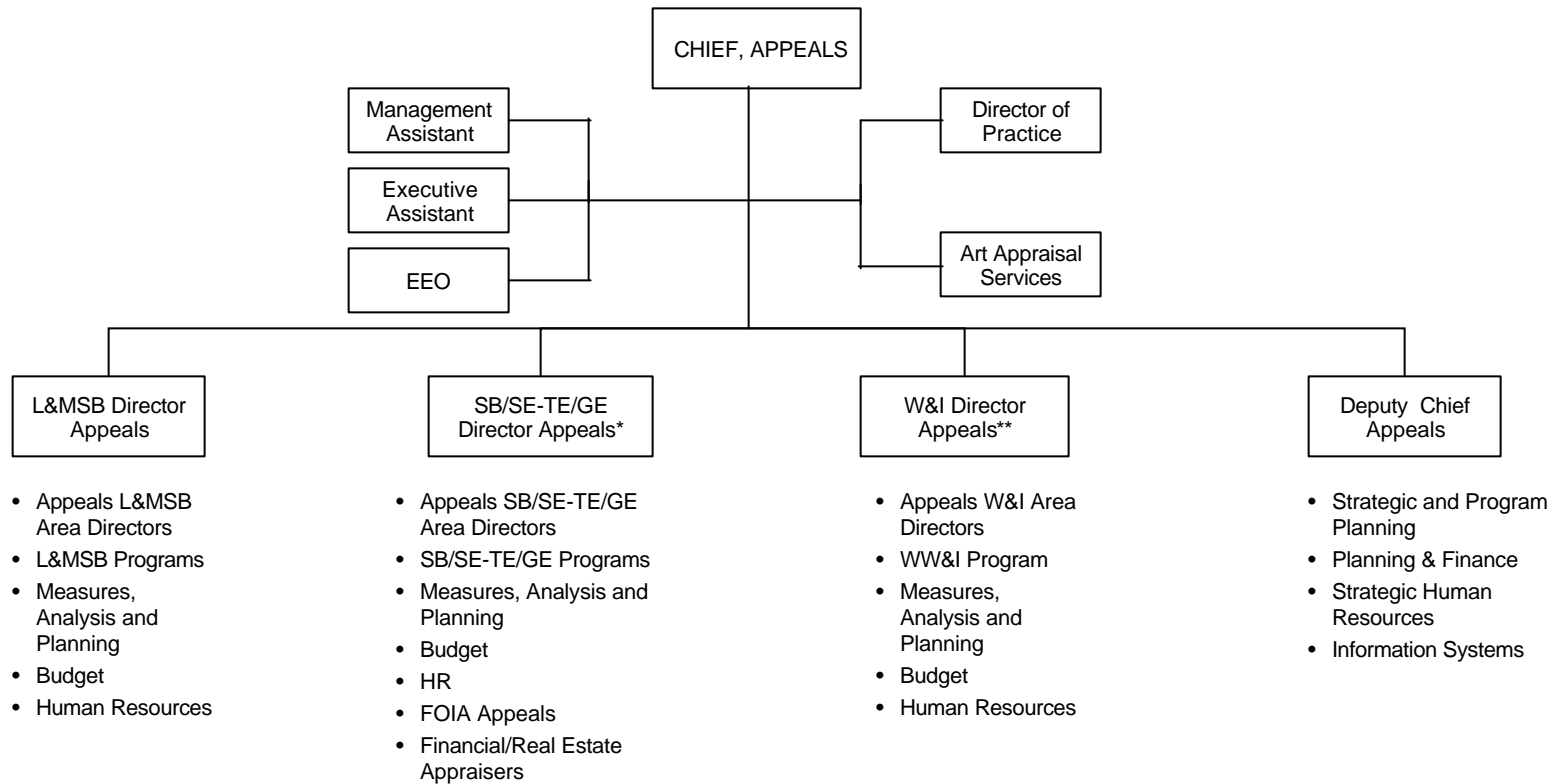


## **Meet the New IRS Appeals**

Keys to the success of the Appeals function include three factors: its independence, impartiality and fairness. Taxpayers will continue to receive high-quality service from the offices that serve them now. To ensure improved customer satisfaction, Appeals will focus on streamlining its processes and offer new services like fast track mediation. A snapshot of the new Appeals reveals:

- An organization with three operating units: Wage & Investment, Small Business/Self-Employed – Tax Exempt/Government Entities, and Large & Mid-Size Business. W&I stand-up is scheduled for 18-24 months after the other units become operational.
- SB/SE—TE/GE activities involve cases covering corporations with less than \$5 million in assets, collection issues, estate and gift tax cases, self-employed cases, tax exempt entities, and government entities. This unit will also have responsibility for the current Records and Processing sections. Other program responsibilities include innocent spouse, Freedom of Information Act appeals, excise and employment tax and ADR of bankruptcy, dyed diesel fuel, and tax exempt bond cases.
- LSMB activities cover corporate and partnership cases with assets greater than \$5 million with the most complex issues, particularly international issues. It will include such activities as the Industry Specialist Program, supercase ADR, Joint Committee, international issues, and competent authority.
- An empowered workforce of Appeals officers who have redelegated settlement authority on a limited basis.
- A team-based environment for Appeals staff to increase quality and responsiveness.
- New processes to settle taxpayer disputes faster, such as Fast Track Mediation. This new program allows examiners and group managers to present their cases personally to the Appeals Officer and receive immediate feedback on the settlement. In addition, the Appeals Officer is empowered to settle the case and mediate a fair resolution for the taxpayer and the IRS.
- Improved feedback processes with compliance areas to ensure high-quality case development.

# Appeals Organization Chart



\* Director Appeals SB/SE-TE/GE and Deputy Appeals SB/SE-TE/GE

\*\* Appeals W&I stand-up is scheduled for 18-24 months after the other units become operational

**Panel 4: Changes to the Tax Controversy Process Under Modernization**

**TELEPHONE DIRECTORY  
Appeals Customer Service Representatives**

**Not a toll-free call.**

<b>Office (Location)</b>	<b>Customer Service Representatives</b>		<b>Customer Service Representatives (Back-up)</b>	
<b>NORTHEAST REGION</b>				
Brooklyn ( <i>Hempstead</i> )	James Swierczewski	(516) 539-6259	Joseph Rini	(516) 539-6250
Connecticut-Rhode Island ( <i>East Hartford</i> )	Richard Geltzer	(860) 290-4055	Vincent D'Avirro	(860) 290-4059
Manhattan ( <i>New York City</i> )	Phyllis Cayenne	(212) 298-2430	Stuart Block	(212) 298-2456
Michigan ( <i>Detroit</i> )	Kathleen Clark	(313) 226-2314 ext. 62344	Mary Jo Fedewa	(517) 669-8666-Lansing
New England ( <i>Boston</i> )	Ann Benner	(617) 565-7962	Linda Rolf	(617) 565-7981
New Jersey ( <i>Newark</i> )	Robert Castoro	(973) 645-6288	Debra McMillan	(973) 645-2445
Ohio ( <i>Cleveland</i> )	Chris Behan	(216) 623-2047	Denise Neidermeyer	(216) 623-2015
Pennsylvania ( <i>Philadelphia</i> )	Daria Gallen	(215) 597-2177 ext. 160	Betty Landau	(215) 597-2177 ext. 144
Upstate New York ( <i>Buffalo</i> )	Rodney Krysztof	(716) 551-5330 ext. 21	Barry Noller	(716) 551-5330 ext. 26
<b>SOUTHEAST REGION</b>				
Delaware-Maryland ( <i>Baltimore</i> )	Patricia Dedianko	(410) 962-9354	Ruth Vriend	(410) 962-9379
Georgia ( <i>Atlanta</i> )	Mary Ann Wine	(404) 338-7197	Valerie Allen	(404) 338-7301
Gulf Coast ( <i>New Orleans</i> )	Terri Beach	(504) 558-3177	Wanda Hill	(504) 558-3163
Indiana ( <i>Indianapolis</i> )	Rita Burrell	(317) 226-6778	Catherine Anslinger	(317) 226-6540
Kentucky-Tennessee ( <i>Nashville</i> )	Wanda Daniels	(615) 250-5613	Chuck Bauer	(502) 582-5448 Louisville
North Florida ( <i>Jacksonville</i> )	Bob Kelly	(904) 665-0962	Sandra Holder	(904) 665-0960
North-South Carolina ( <i>Greensboro</i> )	Bobbie Smith	(336) 378-2309	Cathy Lacinski	(704) 566-5244-Charlotte
South Florida ( <i>Ft. Lauderdale</i> )	Linda Whitmyre	(305) 982-5377	Edward Blum	(305) 982-5254 Miami
Virginia-West Virginia ( <i>Richmond</i> )	Barbara Petrohovich	(804) 771-2772	Rebecca Robbins	(804) 771-2302 ext. 15

**Panel 4: Changes to the Tax Controversy Process Under Modernization**

**MIDSTATES REGION**

Oklahoma-Arkansas <i>(Oklahoma)</i>	Mary Howard	(405) 297-4956	Troy Talbott	(405) 297-4952
Houston <i>(Houston)</i>	Bennie Allen	(281) 721-7215	Liz Johnson	(281) 721-7254
Illinois <i>(Chicago)</i>	Lois Jacobs	(312) 886-5754	Patricia McDermott	(217) 527-6310
Kansas-Missouri <i>(St. Louis)</i>	Brenda Meyer	(314) 612-4672	Doug Wilke	(314) 612-4658
Midwest <i>(Milwaukee)</i>	Clinton D. Wentz	(414) 297-4120	Paula Colvin	(402) 221-3692- Omaha
North Central <i>(St. Paul)</i>	Elizabeth Moore	(651) 290-3868	Linda Pilgreen	(651) 290-3867-ext. 355
North Texas <i>(Dallas)</i>	David Lowell	(972) 308-7271	Wally Banks	(972) 308-7331
South Texas <i>(Austin)</i>	Gerald Sackett	(512) 499-5650	Tom Whisenant	(210) 706-5203 San Anton

**WESTERN REGION**

Central California <i>(San Jose)</i>	Steve Howell	(408) 817-4622	Chris Roach	(408) 817-4609
Los Angeles <i>(Los Angeles)</i>	Carol Stone	(213) 894-4700 ext. 129	Linda Bullock	(213) 894-4700 ext. 132
Northern California <i>(San Francisco)</i>	Gerry Melick	(415) 744-9255	Faith O'Hara	(415) 744-9309
Pacific Northwest <i>(Seattle)</i>	Lenora Miles	(206) 220-6054	Debra Bush	(206) 220-6051
Southern California <i>(Laguna Niguel)</i>	Mary Jensen	(949) 360-6380	Fernando Orozco	(949) 360-6381
Southwest <i>(Phoenix)</i>	Mary Keebler	(602) 207-8167	Tina Fleischman	(702) 455-1134 Las Vegas
Rocky Mountain <i>(Denver)</i>	Joyce Larson	(303) 844-1951	Catherine Pimm	(303) 844-1959

**For additional information, contact:**

**National Office (Washington, DC)**

*Office of Alternative Dispute Resolution and Customer Service Programs: Tom Louthan (202) 694-1842 and*

*Darlene Marshall (202) 694-1875*

**Regional Coordinators**

*Northeast Region (New York City): Ellen Wassong (212) 298-2361*

*Southeast Region (Atlanta): Janell Gadd (404) 338-7706*

*Midstates Region (Dallas): Leonard Horton (972) 308-7495*

*Western Region (San Francisco): Dennis Malone (415) 575-7313* **DM Last Update: October 28, 1999**



## Modernization Is Bringing Changes to the Tax Controversy Process

### Providing a Continuum of Dispute Resolution



Pre-filing activities and guidance

Fast Track Mediation

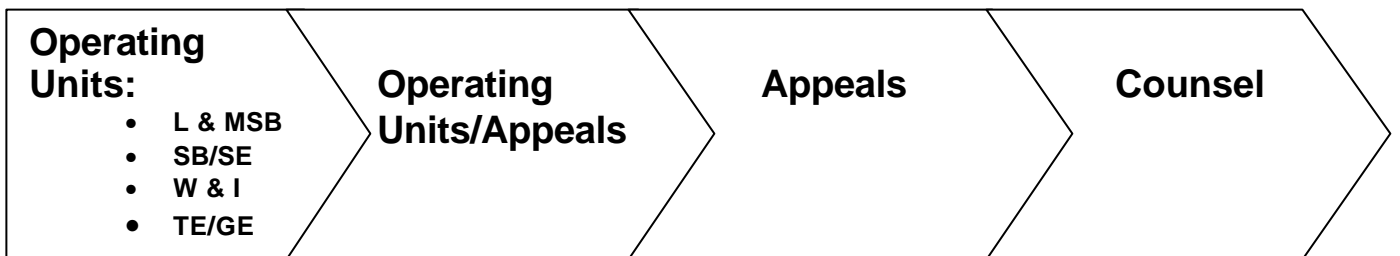
*Still available: Appeals conferences, early referral, mediation/arbitration*

New:  
Delegated settlement authority  
Ex parte communications

Collection Due Process  
New structure

*Still Available: pre-trial settlement, litigation*

New:  
Case assignment process  
Management of Tax Court  
Calendar  
New structure



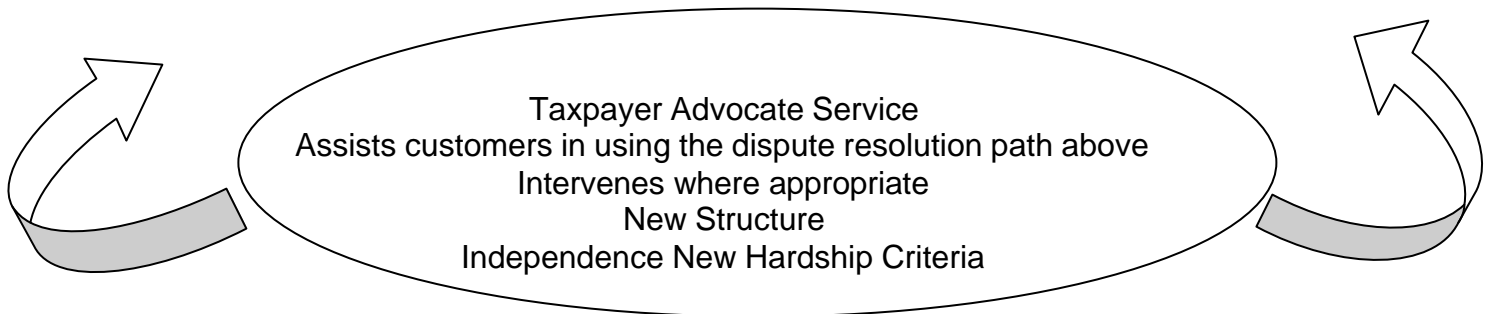
**Operating Units:**

- L & MSB
- SB/SE
- W & I
- TE/GE

**Operating Units/Appeals**

**Appeals**

**Counsel**



Taxpayer Advocate Service  
Assists customers in using the dispute resolution path above  
Intervenes where appropriate  
New Structure  
Independence New Hardship Criteria

## FAST TRACK MEDIATION

Beginning early in 2000, Appeals will begin testing fast track mediation in four sites around the country. Fast track mediation is a new process that the IRS will offer taxpayers to assist in resolving tax disputes resulting from an examination, an offer in compromise, or a trust fund recovery penalty.

The benefits include:

Taxpayers	Internal Revenue Service
<ul style="list-style-type: none"><li>• an expedited process</li></ul>	<ul style="list-style-type: none"><li>• no formal unagreed report</li></ul>
<ul style="list-style-type: none"><li>• a neutral mediator</li></ul>	<ul style="list-style-type: none"><li>• Compliance participates in resolution</li></ul>
<ul style="list-style-type: none"><li>• a neutral setting</li></ul>	<ul style="list-style-type: none"><li>• case resolved at lowest level</li></ul>
<ul style="list-style-type: none"><li>• no written protest required</li></ul>	<ul style="list-style-type: none"><li>• improved customer relations</li></ul>

### How Does Fast Track Mediation Work?

When taxpayers disagree with any or all of the IRS findings in their case, they may request a meeting with the manager of the examiner or revenue officer who issued the findings. Mediation can take place at that meeting or afterwards. To begin the process, both the taxpayer and the IRS manager must sign a simple agreement form. Generally within one week, Appeals will assign a mediator to contact the taxpayer and the IRS manager to schedule a meeting.

### What Qualifies for Fast Track Mediation?

Most cases qualify for fast track mediation. In general, a taxpayer may use the process if the case has a proposed tax deficiency of \$100,000 or less and is not docketed in any court. An offer in compromise must be less than \$50,000 to qualify.

### What Is Mediation?

The goal of mediation is to provide an impartial forum for taxpayers and the IRS resolve the dispute. The mediator's role is to facilitate communication by working with the taxpayer and the IRS to obtain the information necessary to understand the nature of the dispute. This includes the issues involved and the positions of both parties.

A resolution agreed to in mediation will not be binding for any taxable years other than those covered by the agreement. The mediator has no authority to require either party to accept any resolution. For any unresolved issues, the taxpayer retains all the usual appeal rights.

### Why Another Case Resolution Process?

The IRS believes that an efficient and impartial system of resolving disagreements is essential to enhance the public's confidence in the integrity and fairness of the administration of the tax laws. Part of a restructuring of the Service's administrative appeals process, fast track mediation is aimed at establishing a more timely system for resolving tax controversies.

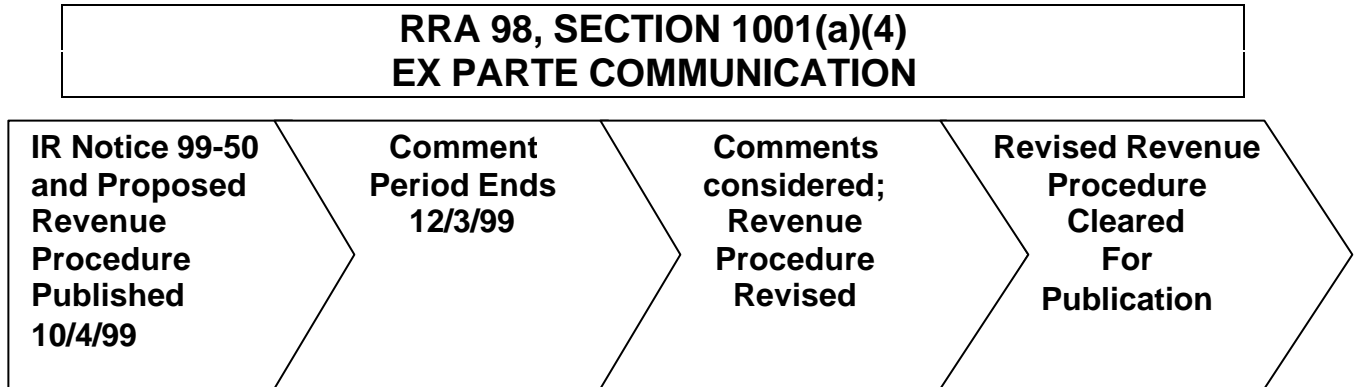
## **DELEGATION OF SETTLEMENT AUTHORITY**

Under the new team concept model, settlement authority will be delegated to appeals officers within certain parameters. Redlegation to the lowest level in the Appeals organization is predicated on adopting a team environment approach. Team managers for an Appeals officer group will be more involved in cases at the pre-decisional level. It is envisioned that they will provide input, perspective, and technical assistance at an early stage in the case consideration process. Appeals officers will be encouraged to interact more with other Appeals Officers on their team to increase consistent treatment of similarly situated taxpayers. In addition, two new case review processes will provide the accountability that ensures case settlement integrity and quality. These processes are the team manager review and a new, centralized closed case review.

Under the Team Manager review, team managers are required to review enough cases of both types, i.e., where settlement authority has been delegated and where it has not, to obtain a sample representative of each Appeals officer's work. They will document unacceptable settlements and use them to determine if an Appeals officer will continue to have delegated settlement authority.

Under the Closed Case review, a separate new Appeals Quality Measurement System (AQMS) will regularly evaluate the quality of a statistically valid sample of closed cases. AQMS reviews will be used to evaluate the overall quality of Appeals settlements and identify areas needing additional managerial attention.

Rollout of the team concept is scheduled to begin with pilots in mid-2000. The staged implementation process should be complete by the end of 2001.



- Section 1001(a)(4) of RRA 98 states that the Commissioner's plan to reorganize the IRS shall...
  - ...ensure an independent appeals function within the Internal Revenue Service, including the prohibition in the plan of ex parte communications between Appeals officers and other Internal Revenue Service employees to the extent that such communications appear to compromise the independence of the Appeals officers.
- In the context of the statute, ex parte communications are communications that take place in the absence of one of the parties -- specifically the taxpayer.
- The proposed revenue procedure takes the approach that the phrase "other Internal Revenue Service Employees" refers to employees of the functions where the work of appeals originates, i.e. Examination, Collection, EP/EO, and International.
- As drafted, the proposed revenue procedure recognizes the responsibility of Chief Counsel's office to serve as legal advisor to the Commissioner and IRS employees. However, Appeals officers are cautioned that they remain responsible for independently evaluating the strengths and weaknesses of issues and making independent judgments concerning the hazards of litigation.
- If communications concerning a case in Appeals jurisdiction involve discussions of the strengths and weaknesses of specific issues or positions or the case as a whole, the taxpayer/representative must be given the opportunity to participate.

#### Panel 4: Changes to the Tax Controversy Process Under Modernization

- Examples of situations where the taxpayer/representative must be invited to participate:
  - ◆ Communications with the originating function about the strengths and weaknesses of proposed adjustments while the case is under Appeals jurisdiction.
  - ◆ Communications with the originating function about the strengths and weaknesses of possible new issues.
  - ◆ Communications with the originating function about the strengths and weaknesses of issues prior to returning a case for further development.
  - ◆ Pre-Conference meetings on CEP cases.
  
- Examples of situations where the ex parte communication prohibition does not apply:
  - ◆ Requests to the originating function for general or clarifying information that does not involve the strengths and weaknesses of the proposed adjustments.
  - ◆ Discussions with the Taxpayer Advocate's office on a matter referred to Appeals by that function.
  - ◆ Discussions with Joint Committee -- not IRS employees.
  
- The proposed revenue procedure was drafted with the objective of implementing the pertinent provision of RRA 98, while, at the same time, striking a balance between taxpayer rights and effective tax administration. It also recognizes that Congress was concerned about the appearance of independence.

## Panel 4: Changes to the Tax Controversy Process Under Modernization

### APPEALS OF COLLECTION ENFORCEMENT ACTIONS

Before April 1, 1996 the filing of a federal tax lien, levy, or seizure was not appealable.

Starting April 1, 1996, liens, levies and seizures were appealable, before or after the action was taken were appealable in the Collection Appeals Program (CAP). Each lien, each levy and each seizure can be appealed in separate CAP actions.

On January 1, 1997, terminations of installment agreements became appealable by statute (TBOR 2). The Service elected to add this to the CAP program and also made installment agreements appealable before or after the agreement was terminated.

Starting July 22, 1998, denials of installment agreements were also appealable by statute (RRA 98). This right was also added as a CAP appeal.

Starting January 19, 1999, Collection Due Process (CDP) became effective. This allows an appeals "hearing" BEFORE any levy action can occur in a given tax period and AFTER the filing of the first Notice of Federal Tax Lien (NFTL) on a given period. If the taxpayer doesn't agree with the Appeals' determination in a CDP hearing, the taxpayer can take the issue to the Tax Court or a district court, whichever has jurisdiction for the type of tax.

In a CAP appeal Appeals

- Considers any issue raised by the taxpayer (unless specifically precluded).

In a CDP hearing Appeals:

- Verifies that the Service has followed legal and procedural requirements.
- Considers issues raised by the taxpayer.
- Balances the intrusiveness of the lien/levy action versus the government's need for efficient collection of the taxes.

Advantages of CDP

- Right to hearing before any levy action taken.
- Right to go to court.

Advantages of CAP

- Right for appeal BEFORE any lien filed. (In CDP, the right occurs only AFTER the NFTL is filed.)
- Can appeal each and every levy/lien/seizure/installment agreement (CDP limited to one hearing per taxable period.)

## ***Modernization Update*** ***The New IRS Stands UP***

### **Meet the New IRS** ***Taxpayer Advocate Service***

#### **Taxpayer Advocate Service** **At-a-Glance**

**Mission:** To ensure that in the event that the IRS' standard policies and procedures have not sufficiently resolved the situation, taxpayers' problems are resolved rapidly and equitably and to ensure systemic process and procedural change when necessary to avoid problems in the future.

**Headquarters:** Washington, DC

**Executive Team:** W. Val Oveson  
National Taxpayer Advocate

Henry O. Lamar, Jr.  
Deputy National Taxpayer Advocate

**Area Offices:** Ft. Lauderdale, FL; San Francisco Bay Area, CA; Manhattan, NY; Richmond, VA; Dallas, TX; Milwaukee, WI; Seattle, WA

**Service Centers** Atlanta, GA; Cincinnati, OH

**Operating Division Offices:**

W&I and TE/GE: Atlanta, GA  
SB/SE and LMSB: New Carrollton, MD

Local Taxpayer Advocate Service Offices — at least one in every state

Visit the Taxpayer Advocate Service Web Site at:  
[www.irs.gov/ind\\_info/advocate.html](http://www.irs.gov/ind_info/advocate.html)

The National Taxpayer Advocate Service serves ALL taxpayers by making sure that their problems are resolved quickly and fairly when IRS' standard policies and procedures have not quickly and

## **Meet the New IRS Taxpayer Advocate Service**

effectively resolved the issue. It is critical that all taxpayers have an opportunity to receive independent, objective assistance when resolving problems with the IRS. The National Taxpayer Advocate's annual report to Congress identifies systemic issues that may adversely impact taxpayers, identifies areas of the tax law that impose significant compliance burdens on either taxpayers or the IRS, and proposes solutions for these situations.

In the new IRS, National Taxpayer Advocate Service employees in field offices will no longer report to local IRS management, but will report directly to the National Taxpayer Advocate. This will further guarantee the independence and objectivity of the process. The new National Taxpayer Advocate Service has been designed to focus on specific taxpayer segments and needs. The main objectives of the Taxpayer Advocate are the following:

- Provide objective review and relief in cases characterized by extenuating circumstances.
- Provide a centralized reporting structure for its employees.
- Provide service to all IRS operating divisions.
- Participate, through the Operating Division Taxpayer Advocate (ODTA), in policy and procedure implementation.
- Publicize Advocate education services and benefits to internal and external stakeholders.
- Solicit feedback from taxpayers and key stakeholders.

The new National Taxpayer Advocate Service will be organized around two major functions: casework and systemic analysis and advocacy.

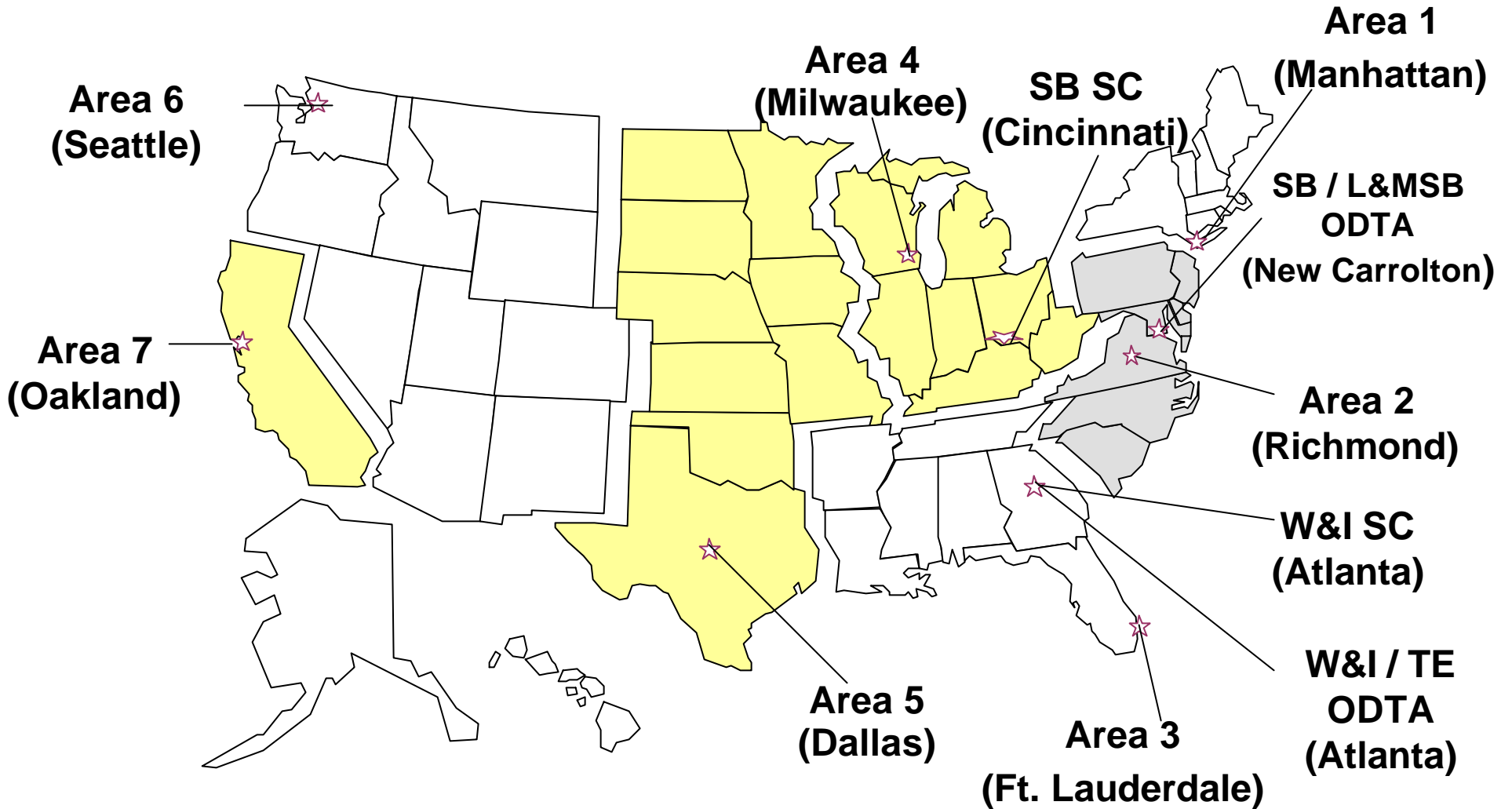
- The casework unit will be responsible for resolving all individual and business taxpayer problems that meet Advocate criteria.
- The systemic analysis and advocacy unit will be responsible for working with the operating divisions to identify systemic problems, analyze root causes, implement solutions, and proactively identify potential problems with new systems and procedures.

Each state will have at least one Taxpayer Advocate and a caseworker unit. There will be nine Area Advocates to manage the Local Taxpayer Advocates. This will accomplish the following objectives:

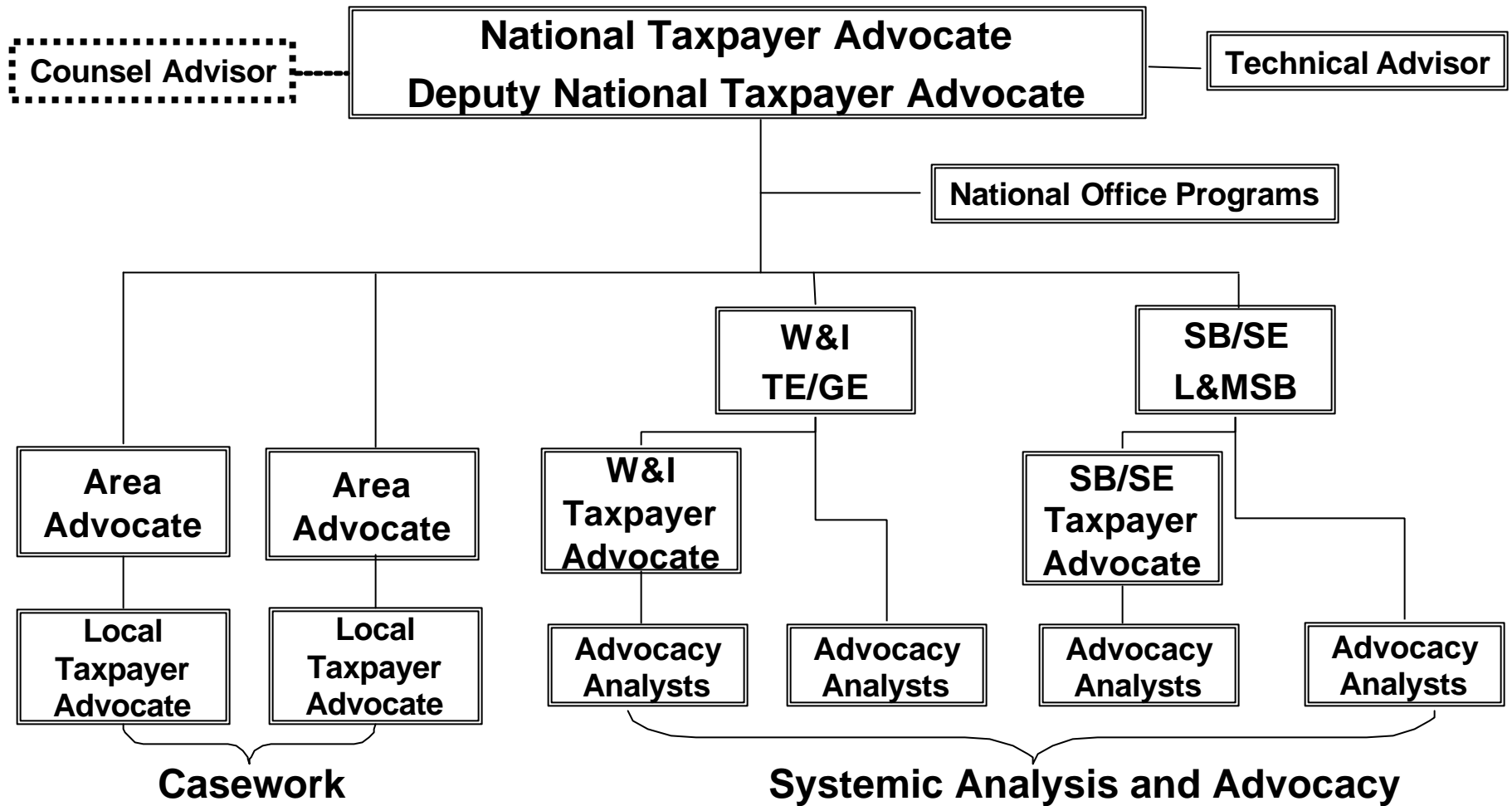
- Allow for easy, one-stop access to local Taxpayer Advocates.
- Will better represent taxpayers' interest in disputes with IRS.



# Taxpayer Advocate Areas



# Taxpayer Advocate Service



# Design

## Area Advocates

### Casework

Assist taxpayers resolve account problems

Work with functions on case related issues

Provide input to advocacy program

## ODTAs

Systemic analysis and advocacy

Work with Operating Divisions to identify problems with systems and/or procedures

Recommend and monitor changes to correct problems

## National Office

Strategic Human Resources

EEO

Planning & Budget

Communications

Citizens Advisory Panels

Casework

Support field operations

## Counsel Advisor

Legal guidance to NTA

Look for legal opportunities to assist taxpayers

## Technical Advisor

Technical guidance to NTA

Support & guidance to technical review teams on the most complex cases

# Hardship Criteria

- A delay of more than 30 days in resolving taxpayer account problems and the taxpayer has not received a response
- An immediate threat of adverse action
- The incurring of significant costs (including fees for professional representation) if relief is not granted
- Irreparable injury to or long term adverse impact to the taxpayer if relief is not granted

# Taxpayer Assistance Orders

- When will taxpayer Assistance Orders (TAOs) be issued?
- When the Operating Division will not agree to take the actions recommended by the Taxpayer Advocate to provide the relief requested

# Appeal of a TAO

- TAO can be appealed by IRS
  - From Local Advocate to Area Advocate
  - From Area Advocate to National TA
  - From NTA to Deputy Director
  - From Deputy Director to Commissioner

# Appeals vs. Taxpayer Advocate How do You Choose?

- Appeals is for:
  - Resolution of substantive tax disputes.
  - If not resolved in Appeals the taxpayer can opt to go to Tax Court.
- TAS is for:
  - Informal problem solving and error resolution.
- TAS will:
  - Consult with Appeals when taxpayers have questions or concerns regarding Appeals, but will not overturn Appeals Officers on substantive tax matters.

**Meet the New IRS**  
Taxpayer Advocate Service

**TELEPHONE DIRECTORY**  
**Taxpayer Advocate Service Point of Contacts**

<b>NAME</b>	<b>TITLE</b>	<b>PHONE NUMBER</b>
<b>NATIONAL OFFICE</b>		
W. Val Oveson	National Taxpayer Advocate	202-622-6100
Henry O. Lamar, Jr.	Deputy National Taxpayer Advocate	202-622-6100
Maryclare Whitehead	Executive Assistant to the Taxpayer Advocate	202-622-6100
<b>NO PROGRAM MANAGERS</b>		
JoAnn Innis	Equal Employment Opportunity & Diversity	202-622-6543
Robert Buggs	Human Resources	202-622-4961
Robert Cooper	Financial Operations	202-622-3527
Cathy VanHorn	CAP, Communications and Liaison	202-622-9396
Cheryl Harskowitch	Customer Account Operations	202-622-3942
Jack Mannion	Program Planning and Quality	202-622-3907
<b>AREA OFFICES</b>		<b>AREA ADVOCATE/TELEPHONE NUMBER</b>
Area 1 - Manhattan	Roslyn Russell	212-298-2065
<b>Cities Served</b>	Boston, MA; Augusta, ME; Portsmouth, NH; Burlington, VT; Hartford, CT; Providence, RI; Brooklyn, NY; Manhattan, NY; Albany, NY; Buffalo, NY	
Area 2 - Richmond	Virgie Noel	804-916-3501
<b>Cities Served</b>	Springfield, NJ; Pittsburgh, PA, Philadelphia, PA; Wilmington, DE; Baltimore, MD; Richmond, VA; Greensboro, NC; Columbia, SC	
Area 3 - Ft. Lauderdale	Jane Looney	954-423-7356
<b>Cities Served</b>	Atlanta, GA; Jacksonville, FL, Ft. Lauderdale, FL Nashville, TN, Birmingham, AL; New Orleans, LA; Jackson, MA; Little Rock, AR; International Local Office	
Area 4 - Milwaukee	Elayne Goldstein	414-297-1646
<b>Cities Served</b>	Cincinnati, OH; Cleveland, OH; Detroit, MI; Indianapolis, IN; Parkersburg, WV; Louisville, KY; Chicago, IL; Springfield, IL; Milwaukee, WI	



**Meet the New IRS**  
 Taxpayer Advocate Service

Area 5 - Dallas	Olga Rhodes	972-308-7019
<b>Cities Served</b>	Des Moines, IA; Omaha, NE; St. Paul, MN; Fargo, ND; Aberdeen, SD; Wichita, KS; St. Louis, MO; Oklahoma City, OK; Austin, TX; Dallas, TX; Houston, TX	
Area 6 - Seattle	Sandra Ling	206-220-4356
<b>Cities Served</b>	Denver, CO; Boise, ID; Helena, MT; Salt Lake City, UT; Cheyenne, WY; Phoenix, AZ; Albuquerque, NM; Las Vegas, NV; Anchorage, AK; Honolulu, HI; Portland, OR; Seattle, WA	
Area 7 - Oakland	Joe Benton	415-575-7053
<b>Cities Served</b>	Laguna Niguel, CA; San Jose, CA; Oakland, CA; Sacramento, CA; Los Angeles, CA	
Area 8 - Cincinnati	Dave Cook	513-263-3260
<b>Cities Served</b> (Service Centers)	Cincinnati; Brookhaven; Philadelphia; Ogden; Memphis	
Area 9 - Atlanta	Melvin Ware	404-338-8706
<b>Cities Served</b> (Service Centers)	Atlanta; Andover; Kansas City; Austin; Fresno	

**Session Objective**

IRS will provide a brief overview of the new Wage and Investment Division, profile the market segments, discuss strategic approaches, and taxpayer assistance initiatives. Issues for the payroll community will be discussed, followed by a discussion of the electronic tax administration program. Finally, there will be a discussion of the low-income assistance program.

**Moderator and Panelists****Moderator:**

*Judith Akin, Vice President, National Association of Enrolled Agents, Gaithersburg, MD*

**Panelists:**

<i>Chuck Lacijan</i>	<i>Senior Technical Advisor, The Implementation Group, Inc.</i>
<i>Janet Spragens</i>	<i>Tax Professor, American University, Washington College of Law</i>
<i>John Dalrymple</i>	<i>Commissioner Designee, Wage and Investment Division, Internal Revenue Service</i>
<i>Sherrill Fields</i>	<i>National Director, Diversified Filing Division, Electronic Tax Administration, Internal Revenue Service</i>
<i>John Ressler</i>	<i>Executive Officer for Service Center Operations, Internal Revenue Service</i>

**Discussion Points**

- The Wage and Investment organization will bring much more focus to servicing the 116 million taxpayers with strictly wage and investment income. This represents 90 million tax returns filed annually and tax revenue collections of \$380 billion. The W&I taxpayers are largely compliant.
- There will be much greater focus on pre-filing assistance. We have a brand new unit called CARE. This stands for Communications, Assistance, Research and Education.

- CARE will emphasize strategic research to determine W&I taxpayer needs and focus on development of forms, publications and notices directed to better help the W&I taxpayer fulfill tax obligations.
  - CARE will also be devoted to supporting and partnering with stakeholders such as practitioners, software providers, large employers, financial institutions and others who serve the W&I taxpayer. Volunteerism will be a critical part of W&I and we will enhance volunteer programs such as VITA, Tax Counseling for the Elderly and Low-income Tax Clinics. It will emphasize educational programs to provide information and assistance.
  - CARE will have a much expanded field organization to carry out programs and services.
- The W&I organization will provide one-on-one assistance to taxpayers who need this type of help at Customer Service Taxpayer Assistance Sites. Offices will be geographically placed in locations following the path most convenient to the W&I taxpayer. Hours of operation will fit the needs of our customers.
  - For pre-filing, filing, and post-filing the new Customer Account Services (CAS) organization in W&I will have significant operations to provide telephone, electronic and correspondence options for assistance. IRS will respond to taxpayer tax law, refund and account questions through a variety of means to facilitate compliance and maintain accurate taxpayer accounts. E-filing will be a primary objective to enhance speed and accuracy of filing. There also will be significant paper processing organizations in CAS.
  - The W&I compliance organization will be much like the organization we have today with emphasis on matching programs to ensure integrity and fairness to all in applying the tax law.
  - In its entirety W&I will have all the resources to focus on our fundamental goal of providing top quality service through an organization that supports end-to-end accountability.

# ***Modernization Update***

## **The New IRS Stands UP**

### **Meet the New IRS**

#### ***Wage & Investment Operating Division***

##### **W&I At-a-Glance**

Mission:	To educate and assist our customers to understand and satisfy their tax responsibilities. We will provide this service in a high quality, fair, and equitable manner through partnership between management, employees, and stakeholders.
Headquarters:	Atlanta, GA
Management Team:	John Dalrymple, Commissioner
Area HQ Offices:	Buffalo, NY; Indianapolis, IN; St. Louis, MO; Greensboro, NC; New Orleans, LA; San Francisco Bay Area
Field Offices throughout the nation	
Taxpayer Profile:	<ul style="list-style-type: none"><li>• Some 90 million filers, representing 116 million customers including those who file jointly</li><li>• Most pay taxes through withholdings</li><li>• More than half prepare their own returns</li><li>• Most interact with the IRS once a year</li><li>• Most receive refunds</li></ul>

The W&I Operating Division has been designed to enable IRS employees to focus on educating and assisting taxpayers in all phases of interactions with the IRS, through the following three organization offices:

1. Communications, Assistance, Research, and Education (CARE) will provide customers with the information, support, and assistance they need to understand and fulfill their tax obligations.

## **Meet the New IRS**

### *Wage & Investment Operating Division*

2. Customer Account Services (CAS) — will be responsible for taxpayer relationships through filing, including processing submissions and payments; providing taxpayers with information on the status of their returns, and, resolving the majority of problems and inconsistencies.
3. Compliance — will be focused on a relatively limited range of issues, concentrating on dependent exemptions, credits, filing status and deductions.

### **More on Communications, Assistance, Research and Education (CARE):**

CARE will focus on better service to customers through a three pronged strategic approach:

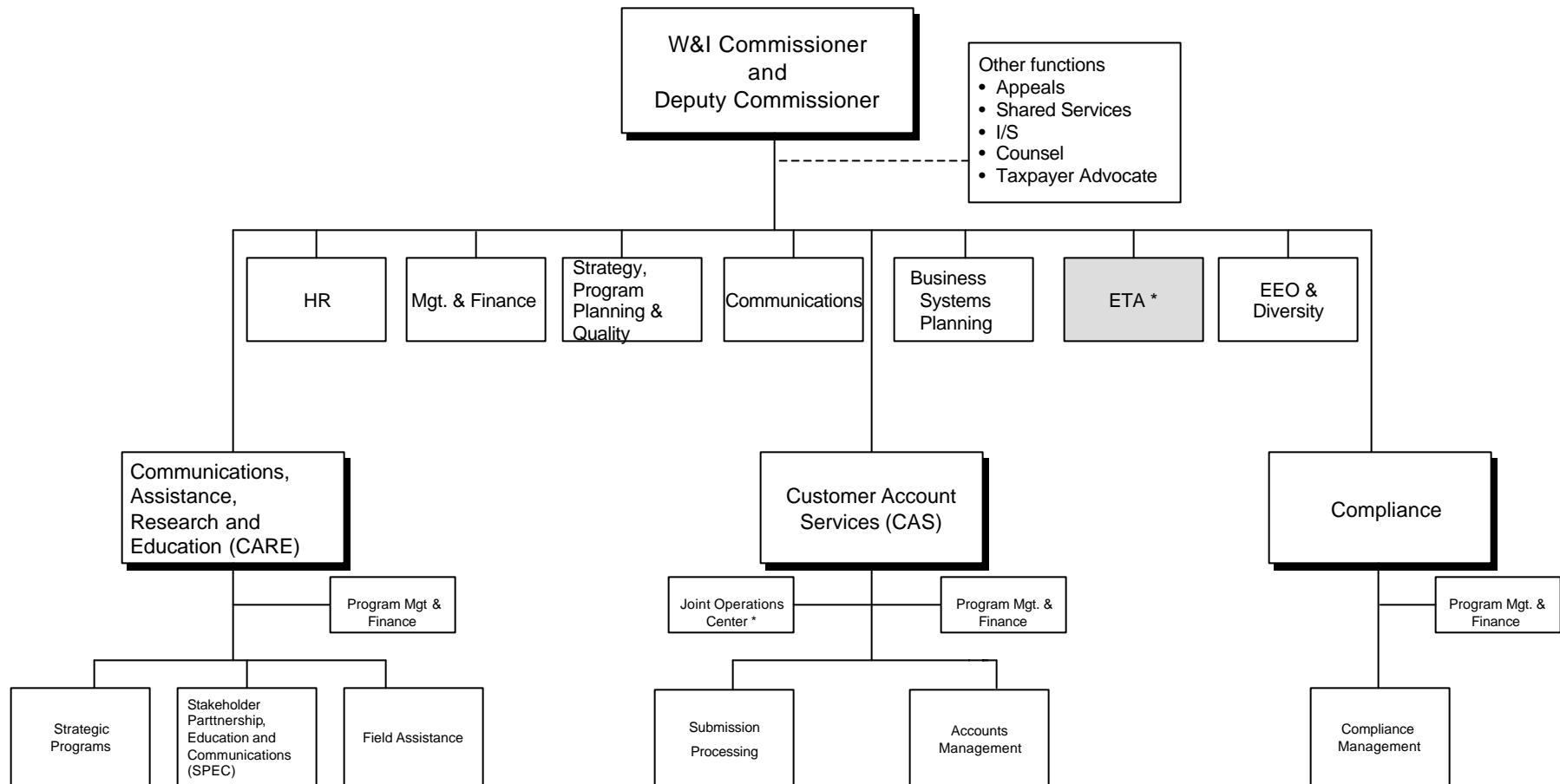
- **Strategic Programs** – This office will focus on improving service to customers through the application of strategic and tactical research aimed at identifying customer needs and developing programs to address these needs. Feedback from both internal and external stakeholders will be analyzed. Key elements:
  - Demographic and sociological research
  - Sub-segmentation at national and local levels
  - Coordination and collaboration with internal and external customers
  - Assessing the “voice of the customer”
  - Internal “consultant” role – developing programs, refining current processes
  - Working with “partners” to implement programs that were developed

## **Meet the New IRS**

### *Wage & Investment Operating Division*

- **Stakeholder Partnership Education and Communication (SPEC)** – This office will provide assistance to W&I customers by building and maintaining partnerships with key stakeholder groups. This unit will also be responsible for developing educational materials for use in pre-filing, filing and post-filing customer interactions, and developing products for use in marketing and working with local and national media to ensure that our customers are aware of tax law changes and IRS services. Key elements:
  - Building and managing partnerships with key stakeholder groups
  - Working with partners to market and deliver educational products and services
  - Developing mass media materials
  - Developing marketing programs
  - Working with Strategic Programs to identify taxpayer education needs
  - Delivering education programs and materials
  
- **Field Assistance** – This office will provide comprehensive, face-to-face assistance with taxpayers as well as assistance through telephone and written correspondence. Key Elements:
  - Ownership and management of Taxpayer Assistance Centers
  - Assistance of W&I and SB/SE customers
  - Exam, collection and other compliance activities
  - Taxpayer education activities in conjunction with SPEC
  - Technical assistance to SB/SE customers

# Wage and Investment Operating Division



# THE RANKING SYSTEM METHODOLOGY RESULTED IN 72 SPEC OFFICES, WHICH COVERS EVERY STATE AND MAJOR METROPOLITAN AREA

## SPEC GEOGRAPHIC FOOTPRINT





# **IRS Modernization Conference**

## **Electronic Tax Administration Advisory Committee (ETAAC)**

**by**

**Chuck Lacijan, ETAAC Chair**

**January 14, 2000**

# **ETAAC Background**

- **Recommended by IRS Restructuring Commission**
- **Mandated by RRA 98**
- **Provides private sector advice to IRS on electronic tax administration goals**
- **Submits annual report to Congress**

# Membership

- **Payroll**

- **Fran Bartlett , President & CEO, Federal Liaison Services, Inc.**
- **John A. Stauffer , Sr. VP of Product Planning, Ceridian Corporation/Ceridian Tax Service**

- **Tax preparation software companies**

- **Edward B. Feinstein, , AVP, Electronic Commerce, H&R Block Tax Services**
- **William C. Shepard, VP & General Manager, Professional Products Group, Intuit, Inc.**

# **Membership- Cont.**

- **Tax preparation**

- **Sandra A. Abalos, Owner, Abalos & Associates**
- **Connie L. Grimes , President, Grimes Income Tax, Inc.**
- **Theron Gilden, President, T. Gilden, Inc.**
- **Mary B. Harris, Jackson Hewitt Tax Service, franchise owner in Arkansas**
- **Yvonne D. Kirkendall, Co-owner, W. R. Kirkendall, EA**
- **Robert O. Lewis , President, Tax Back, Inc.**
- **Helen P. O'Planick, General Partner, HELJAN Associates**
- **John D. Stoller, President, John D. Stoller, CPA, Inc.**

# Membership- Cont.

- **Financial community**

- **Peter E. Hosokawa, President, First Data Corporation – Cash Tax Inc**
- **Bette Rice, Director, Enterprise Technology Services, Merrill Lynch**
- **Elizabeth M. Seymour, Vice President, Wachovia Bank, N.A**

- **Big business**

- **Michael P. Boyle , Chief Tax Counsel & General Auditor, Microsoft Corp.**

- **Academic community**

- **Keith T. Dusenbery , Professor of Accounting and Information Systems, Johnson State College**
- **Susan W. Martin , Professor of Accounting & Taxation, Grand Valley State University**

# Membership-Cont.

- **State government**
  - **Frank L. Lanza, Director, Processing Services, California Franchise Tax Board**
  - **Issac A. Nooe, III , Administrator, Information Resources Management Division, South Carolina DOR**
- **Other**
  - **Margaret Drescher , National Advisor, Chair National Technology Committee, AARP**
  - **Charles A. Lacijan , Sr. Technical Advisor, The Implementation Group**

# **June 1999 ETAAC Report to Congress**

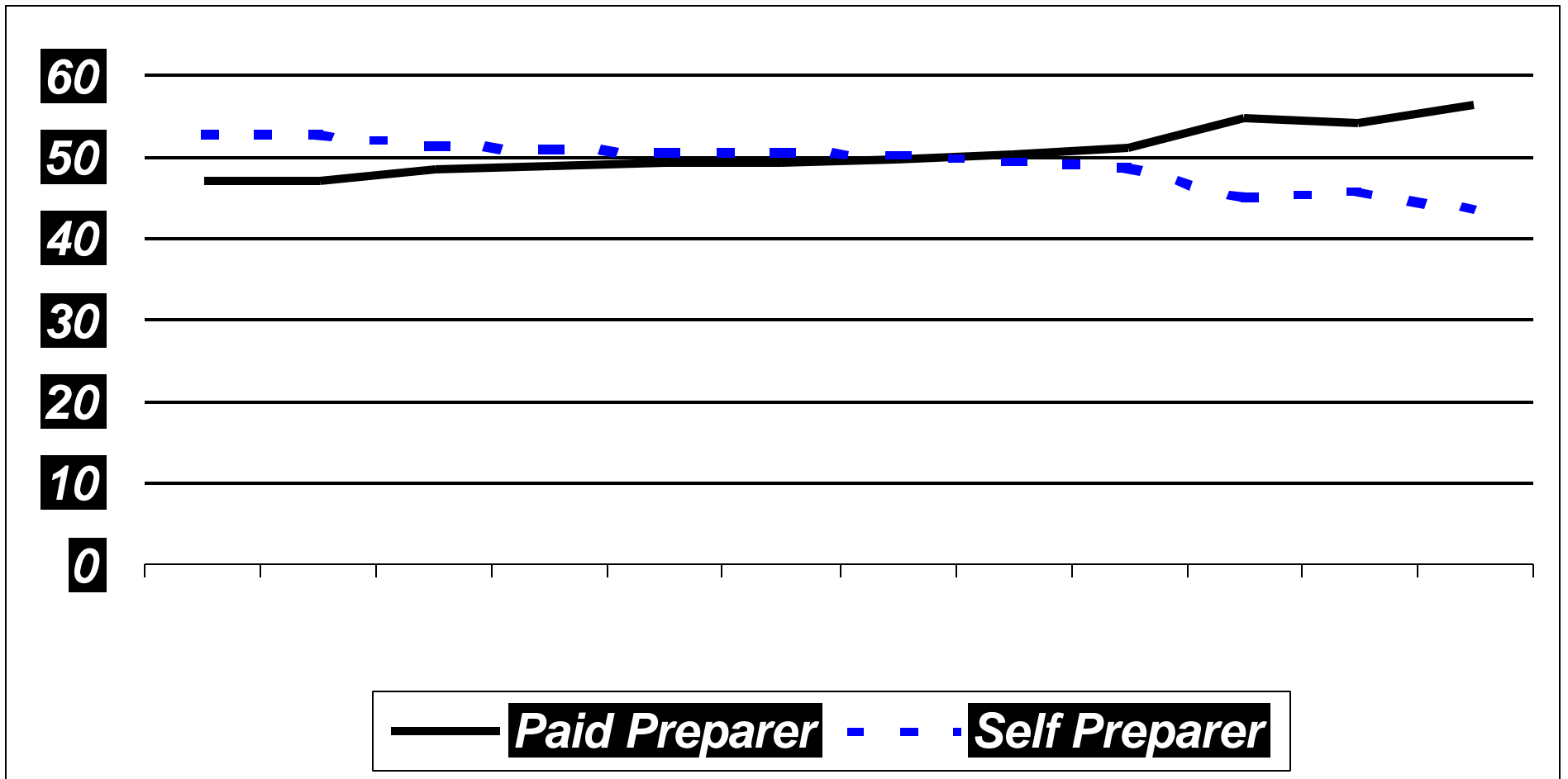
- **IRS faces business, management, and technology challenges to meet the 80 percent goal**
- **Broader set of initiatives needed**
- **Goal for all tax practitioners to enroll as Electronic Return Originators needed**
- **Internet strategy needed**
- **Security and privacy initiatives should be a high priority**

# Plans for Upcoming Year

- **Organized around five subgroups**
  - **Electronic Return Originator (ERO) Strategy**
  - **Self-Preparer Strategy**
  - **Strategic Planning**
  - **Business E-Commerce Strategy**
  - **Alliance Strategy**
- **Each subgroup is addressing a key electronic tax administration strategic issue**



# Preparer Trends



# Subgroup Objectives

- **ERO Strategy**
  - **Recommend a set of strategies aimed at getting every professional tax preparer to enroll as an ERO and file all returns electronically**
- **Self-Preparer Strategy**
  - **Recommend a set of strategies aimed at increasing electronic filing among self-preparers to at least 70 percent**

## Session Objective

IRS will provide a brief overview of the new Small Business/Self-Employed Operating Division, profile market segments, describe customized small business assistance, and discuss risk-based compliance initiatives. Three small business assistance scenarios will be discussed.

## Moderator and Panelists

### Moderator:

*David A. Lifson, Hays & Co., New York, NY; and Chair, Tax Executive Committee, AICPA*

### Panelists:

<i>Marianna Dyson</i>	<i>Counsel, Tax Department , Weil, Gotshal &amp; Manges LLP</i>
<i>Joe Marchbein</i>	<i>Director of Tax Administration, Rubin, Brown, Gornstein &amp; Co., LLP</i>
<i>Joseph Kehoe</i>	<i>Commissioner Designee, Small Business/Self Employed Division, Internal Revenue Service</i>
<i>Jerry Songy</i>	<i>Executive Director, Modernization Design Internal Revenue Service</i>
<i>Thomas Hull</i>	<i>National Director of Specialty Taxes, Internal Revenue Service</i>

## Discussion Points

- The Small Business/Self-Employed Division will be organized to serve approximately 45 million individuals and businesses that report business related transactions. These include those individuals who file form 2106 for unreimbursed travel and entertainment expense, Schedule C filers for profit or loss from a business, Schedule F filers who report farm related profits and losses, Schedule E filers who report rents, royalties, and flow-through transactions from investments in businesses, as well as Corporations and Partnerships with assets under \$5 million.

- The division will be aligned to serve these customers through three potential interactions:
  - First, the pre-filing phase, where taxpayers need assistance, education, and forms to prepare their return.
  - Secondly, the filing phase, where the taxpayer submits their return for processing, and the Service provides account information, refunds, and assessments to the final tax liability.
  - Lastly, the post-filing phase, which we typically think of as our exam and collection processes that deal with taxpayer compliance.
- Pre-Filing for Small Business-Taxpayer Education and Communication (TEC)
  - TEC's Research and Product Development
  - TEC's Partnership Outreach
  - TEC's Taxpayer Education
- The filing function of SB, known as Customer Account Services (CAS) will focus on both timely processing of the returns, as well as identification of systemic errors by SB taxpayers, so that we can recommend improvements to the filing process. System changes will also be considered for electronic filing of business returns and more real-time information to resolve taxpayer account issues.
- Post-filing for the SB taxpayer, known as Compliance, will see changes as well. While most practitioners will continue to see the examination and collection work continue at the local level, a new management structure will provide a clearer process to resolve disputes in a timely manner. Instead of the layers that exist in today's exam and collection management structure, streamlined cross-functional territory managers will address the end-to-end accountability for determinations that involve exam and collection issues. Improved insolvency processes are envisioned, as well as more consistency across the nation.

- At the SB headquarters, the strategic planning process will be expanded to involve the inputs from practitioners, state/local agencies, appeals, counsel, and the taxpayer advocate. This process will provide the mechanisms for TEC, CAS, and Compliance to change to meet the taxpayers' interests and adapt new policies to provide the levels of service the taxpayers demand.

## **Modernization Update**

### **The New IRS Stands UP**

## **Meet the New IRS:**

### ***Small Business/Self-employed Operating Division***

#### **SB/SE At-a-Glance**

**Mission:** To effectively meet the needs of the most diverse group of taxpayers and to help them comply; to help them solve their compliance issues, while ensuring overall fairness to all taxpayers.

**Headquarters:** New Carrollton, MD

**Management Team:** Joseph Kehoe, Commissioner

**Area HQ Offices:** Baltimore, MD; Dallas, TX; Jacksonville, FL; Nashville, TN; Seattle, WA; Boston, MA; Denver, CO; Laguna Niguel, CA; Philadelphia, PA; St. Paul, MN; Chicago, IL; Detroit, MI; Manhattan, NY; San Francisco Bay Area, CA; Washington, DC; International area office in Puerto Rico.

Field Offices throughout the nation

**Taxpayer Profile:**

- Approximately 45 million taxpayers
- About 33 million full or partially self-employed
- About 7 million small businesses with assets of \$5 million or less
- Have some of the most complex issues due to tax law requirements and the number of forms and schedules required.
- Have 4 – 60 routine transactions with the IRS per year

**The New IRS**  
***Small Business/Self-employed Operating Division***

**The SB/SE operating division will serve this taxpayer segment through three organizations:**

- Taxpayer Education and Communication (TEC) — TEC is a customer-focused organization that routinely will solicit information from taxpayers and external stakeholders concerning the needs and characteristics of its customers. TEC will implement its programs based on that feedback mechanism and will continuously research and analyze taxpayer trends to ensure that products and services are tailored to meet the needs of SB/SE taxpayers. TEC also will partner with other government agencies, state, and local entities to provide one-stop assistance.
- Customer Account Services (CAS) — this office will assist taxpayers in submitting accurate, timely tax returns and remitting the proper amount of tax. The focus will be on processing returns timely and accurately, assisting taxpayers with account specific questions, and adjusting accounts when necessary.
- Compliance — this office will focus on problem prevention and early intervention to increase overall compliance and fairness by providing educational guidance and outreach programs focusing on small business needs and trends particularly for start-ups. A key element of the new approach is the implementation of a “risk based compliance” system that puts resources on the taxpayers case at the appropriate time.

**The Small Business/Self-Employed Operating Division will serve both of the following types of taxpayers:**

- Individuals filing Schedules C, E, F, or Form 2106.
- All other businesses with assets under \$5 million.

**The New IRS**  
***Small Business/Self-employed Operating Division***

<b>Comparison of Small Business/Self-Employed (SB/SE) customers to Large and Mid-Size Business customers (LMSB):</b>	
<b>SB/SE:</b>	<b>LMSB:</b>
<ul style="list-style-type: none"> <li>• Small businesses (part-time, start-ups)</li> <li>• Small businesses without employee (service providers, contractors)</li> <li>• Small businesses with employees</li> <li>• Taxpayers with rental properties</li> <li>• Taxpayers with farming businesses</li> <li>• Individuals investing in businesses (partnerships, S-Corps)</li> <li>• Corporations, S-Corporations, &amp; Partnerships with assets under \$5M</li> </ul>	<ul style="list-style-type: none"> <li>-All 1120 and 1120-S corporations and 1065 partnerships with assets over \$5M.</li> </ul>
Approximately 45 million customers	Approximately 210,000 customers

**Special situations:**

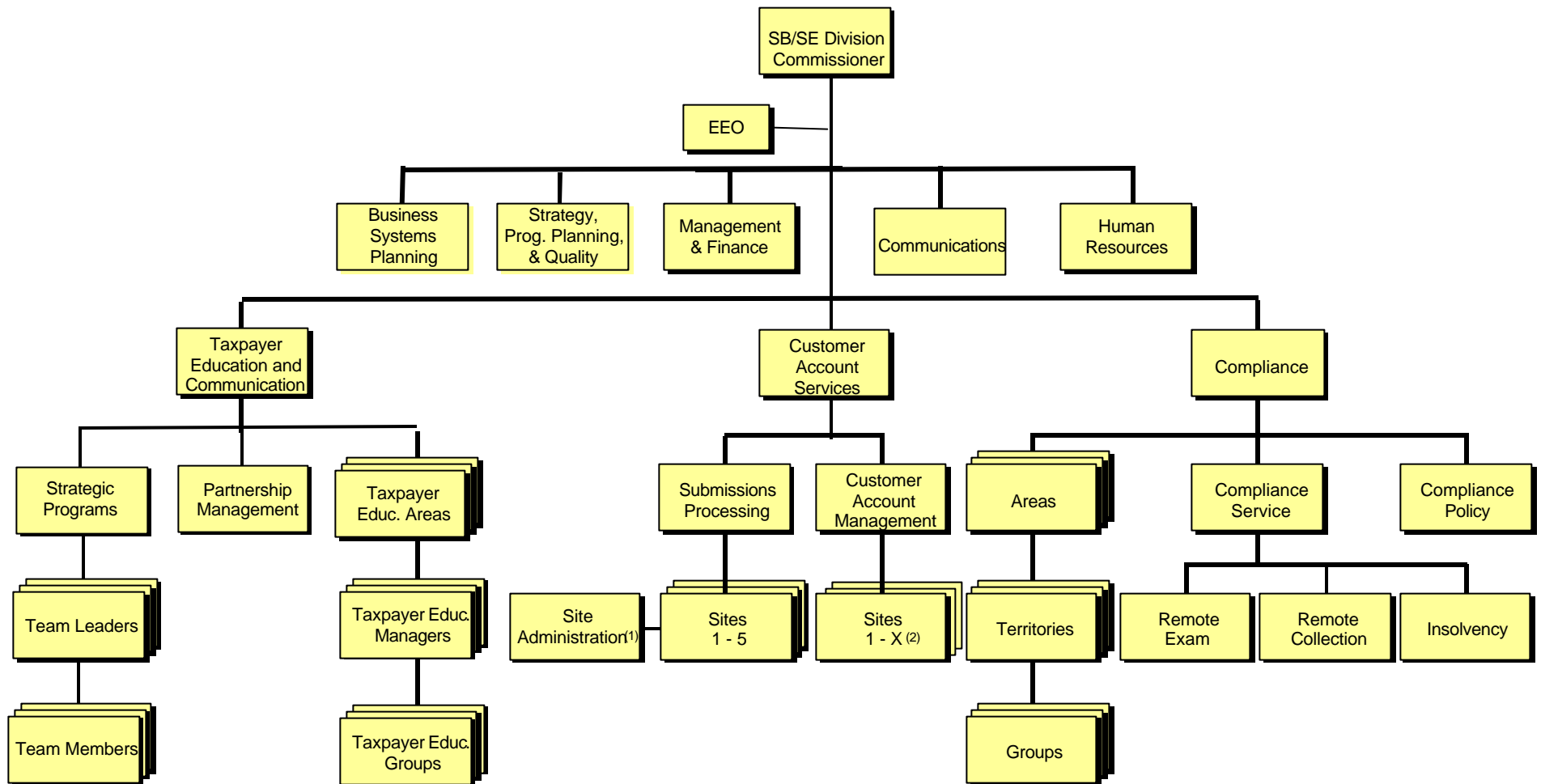
Some businesses may meet the under \$5 million asset test for SB/SE yet be more like a large or midsize business in every other way. These businesses may need the technical expertise of an international examiner, engineer, or appraiser. In these situations, the business may be serviced by the Large and Midsize Business Division.

Other businesses may have assets over \$5 million yet be more like a small business. These customers may be serviced by the Small Business/Self-Employed Operating Division.

Over time, IRS expects to develop a comprehensive set of criteria to ensure that the servicing of particular businesses reflects the technical merits of the tax return and the best interests of the business taxpayer.



# SB/SE Organization Structure



Note: (1) Site Administrator can report to any manager located at service center  
 (2) Customer Account Management sites TBD due to phone center dedication issues

**In order to deliver higher quality customer service initiatives, the IRS intends to partner with external stakeholder groups.**

**Potential SB/SE partners:**

<b>Government Agencies</b>	<b>Educational, Institutions, Community and Volunteer Organizations</b>	<b>Small Business Organizations</b>	<b>Professional, Service and Trade Organizations</b>	<b>Practitioner and Payroll Organizations</b>
<ul style="list-style-type: none"> <li>• Small Business Administration (SBA)</li> <li>• Small Business Development Center (SBDC)</li> <li>• Business Information Center (BIC)</li> <li>• Service Core of Retired Executives (SCORE)</li> <li>• Women's Business Center (WBC)</li> <li>• Social Security Administration</li> <li>• Department of Labor</li> <li>• Department of Commerce</li> <li>• Immigration and Naturalization Service</li> <li>• Census Bureau</li> <li>• Bureau of Labor Statistics</li> </ul>	<ul style="list-style-type: none"> <li>• Colleges and universities</li> <li>• Technical and trade schools</li> <li>• Local community and school groups</li> </ul>	<ul style="list-style-type: none"> <li>• National Federation of Independent Contractors</li> <li>• National Association for the Self-Employed</li> <li>• National Federation of Independent Businesses (NFIB)</li> <li>• American Subcontractor Association</li> <li>• National Small Business United</li> <li>• Small Business Council of America</li> <li>• Small Business Legislative Council</li> <li>• Small Business Innovation Research (SBIR)</li> </ul>	<ul style="list-style-type: none"> <li>• American Bankers' Association</li> <li>• National Association of Women business Owners</li> <li>• National Council of Chain Restaurants</li> <li>• National Restaurant Association</li> <li>• Council for Electronic Revenue Communication Advancement</li> <li>• Information Technology Association of America</li> <li>• American Trucking Association</li> <li>• American Farm Bureau Association</li> <li>• American Association of Retired Persons</li> <li>• Chambers of Commerce</li> <li>• National Association of Nonprofit Organizations</li> </ul>	<ul style="list-style-type: none"> <li>• National Association of Enrolled Agents</li> <li>• American Association of Attorney-Certified Public Accountants</li> <li>• American Institute of Certified Public Accountants Tax Division</li> <li>• American Bar Association Section of Taxation</li> <li>• National Association of Tax practitioners</li> <li>• National Conference of CPA Practitioners</li> <li>• National Society of Accountants</li> <li>• American Society of Payroll Management</li> <li>• American Payroll Association (APA)</li> <li>• National Society of Tax Professionals</li> </ul>

## **Session Objective**

IRS will provide a brief overview of the new Large and Mid-Size Business Operating Division, profile the market segments, discuss strategic approaches, and taxpayer assistance initiatives. The new executive management team will be introduced, and the five industry segments will be detailed.

## **Moderator and Panelists**

### **Moderator:**

*Charles W. Shewbridge III, Chief Tax Executive, BellSouth Corporation, Atlanta, GA; and International President, Tax Executives Institute, Washington, DC*

### **Panelists:**

<i>Paul Sax</i>	<i>Partner, Orrick, Herrington &amp; Sutcliffe LLP</i>
<i>Larry Langdon</i>	<i>Commissioner, Large and Mid-Size Business Division Internal Revenue Service</i>
<i>Debbie Nolan</i>	<i>Deputy Commissioner, Large and Mid-Size Business Division, Internal Revenue Service</i>
<i>David Robison</i>	<i>Director, Financial Services and Healthcare Industry</i>
<i>Bobby Scott</i>	<i>Director of Natural Resources, Internal Revenue Service</i>
<i>Thomas J. Smith</i>	<i>Director of Heavy Manufacturing, Construction, and Transportation, Internal Revenue Service</i>
<i>Elvin Hedgepeth</i>	<i>Deputy Director of International, Internal Revenue Service</i>
<i>Richard Goelz</i>	<i>Director of Field Operations, Retails, Food and Pharmaceutical, Internal Revenue Service</i>
<i>Frank Ng</i>	<i>Acting Deputy Director, Prefiling and Technical Guidance, Internal Revenue Service</i>

## **Discussion Points**

- Consistent, timely and direct responses from accountable headquarters and industry managers throughout the LMSB organization.
- LMSB recognition of the needs of our customers who operate in a global environment and the increased emphasis on international taxation.
- Reduced examination time, cost and burden through enhanced pre-filing guidance and issue resolution before escalation to Appeals or Tax Court.
- Improved efficiency in examination processes through case planning and information management.
- Reduced examination cost and burden through technology – electronic communication and data transfer to reduce paper retention and exchange.
- The LMSB initiatives represent our best attempts to provide “World class Tax Services” to a global customer base.
- LMSB will partner with external stakeholders to achieve the LMSB modernization objectives.

# ***Modernization Update***

## **The New IRS Stands UP**

### **Meet the New IRS:** ***Large & Mid-Size Business Operating Division***

#### **LMSB At-a-Glance**

**Mission:** To provide LMSB customers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

**Headquarters:** Washington, DC

**Management Team:** Larry R. Langdon, Commissioner  
Deborah M. Nolan, Deputy Commissioner

**Industry Headquarters:**

- Retailers, Food and Pharmaceutical — Robert E. Brazzil, Director  
Chicago, IL (25,000 businesses)
- Natural Resources — Houston, TX  
Bobby L. Scott, Director  
(15,000 businesses)
- Financial Services & Healthcare — David B. Robison, Director  
New York, NY (40,000 businesses)
- Heavy Manufacturing, Construction & Transportation — Thomas J. Smith, Director  
New Jersey (88,000 businesses)
- Communications, Technology & Media — Thomas R. Wilson, Jr.  
Northern California (12,000 businesses)

Field Offices throughout the nation in an industry-based organization.

**Taxpayer Profile:**

- Corporations, Subchapter S corporations, and partnerships with more than \$5 million in assets.
- The largest business taxpayers interact with the IRS in an on-going basis.
- Most have in-house tax divisions.
- Major issues are tax law interpretation, accounting and regulatory issues, many operating in a global environment.

## **Meet the New IRS:**

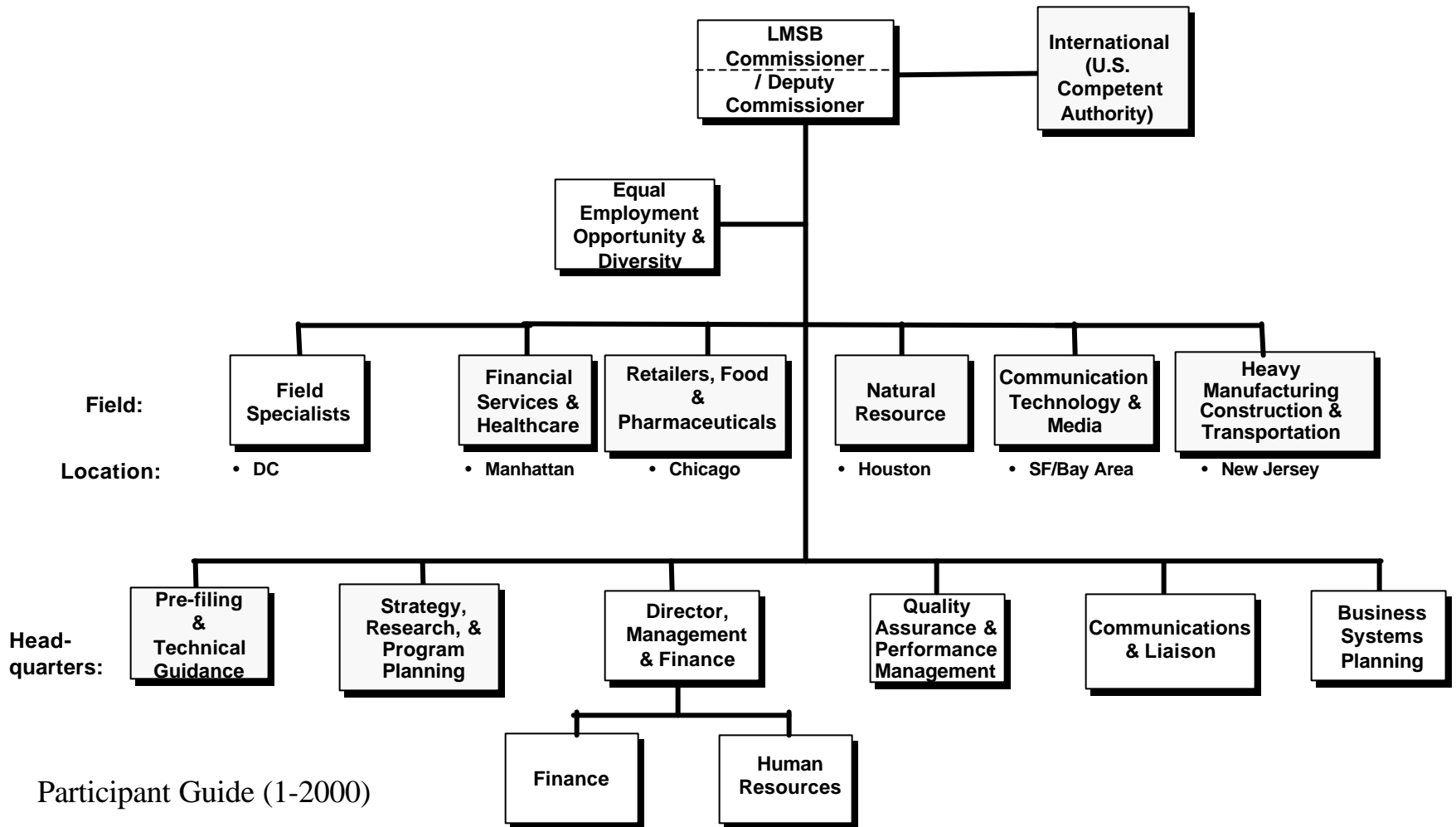
### *Large & Mid-Size Business Operating Division*

LMSB's vision is to be a world class organization responsive to the needs of customers in a global environment, while applying innovative approaches to customer service and compliance. It will apply the tax law with integrity and fairness through a highly skilled workforce, in an environment of inclusion where each employee can make a maximum contribution to the mission of the team.

What is different for America's LMSB taxpayers?

- An improved customer-focused organization
- Taxpayer issues resolved at earliest possible point
- Interaction less difficult, time consuming, expensive, and contentious
- New and improved business practices and processes
- Tailored products and services
- Highly trained and focused IRS workforce
- Increased focus and coordination of industry issues
- Strong interaction with Chief Counsel organization
- Integrated international component

# THE NEW LMSB ORGANIZATION



**Meet the New IRS:  
Large & Mid-Size Business Operating Division**

**Improvements in LMSB tax administration will occur in four major areas**

<p>1. More consistent, timely and direct responses from accountable industry managers through the LMSB Organizational Design</p>	<ul style="list-style-type: none"> <li>• Managers and executives more directly involved in customer service and compliance activities</li> <li>• Industry managers are decision makers, as well as knowledgeable in industry and technical issues</li> <li>▪ Integration of international tax expertise throughout the organization enables enhancement of customer service and compliance for an increasingly multinational customer base</li> </ul>
<p>2. Reduced Examination duration, costs and burden through enhanced Pre-Filing Guidance and Issue Resolution to resolve issues before forwarding the case to Appeals or Tax Court</p>	<ul style="list-style-type: none"> <li>▪ Pre-filing services available to provide guidance and minimize controversy on a filed return</li> <li>▪ Expedited published guidance and better coordination of litigation and legislation strategy due to enhanced coordination among Counsel, Treasury and LMSB</li> <li>▪ Issue management approach to resolve all open year issues using available alternative dispute resolution tools</li> <li>▪ Strengthened abilities and increased authority to resolve issues at the lowest possible level as soon as possible</li> <li>▪ Enhanced use of industry agreements to improve customer service and compliance</li> <li>▪ Uniform resolution of issues throughout the LMSB taxpayer base</li> </ul>
<p>3. Improved efficiency in examination cases through Case Planning and Information Management</p>	<ul style="list-style-type: none"> <li>▪ Coordinated focus with taxpayers on key issues</li> <li>▪ Project management techniques applied to large examinations</li> <li>▪ Taxpayers involved in the planning process</li> </ul>
<p>4. Reduced examination costs and burden through Technology – electronic communication and data transfer to reduce paper retention and exchange</p>	<ul style="list-style-type: none"> <li>▪ Electronic communications in a secure environment</li> <li>▪ Electronic filing of corporate tax returns</li> <li>▪ Enhanced ability to identify emerging issues based on data and research resulting in earlier guidance to taxpayers and uniform compliance.</li> </ul>

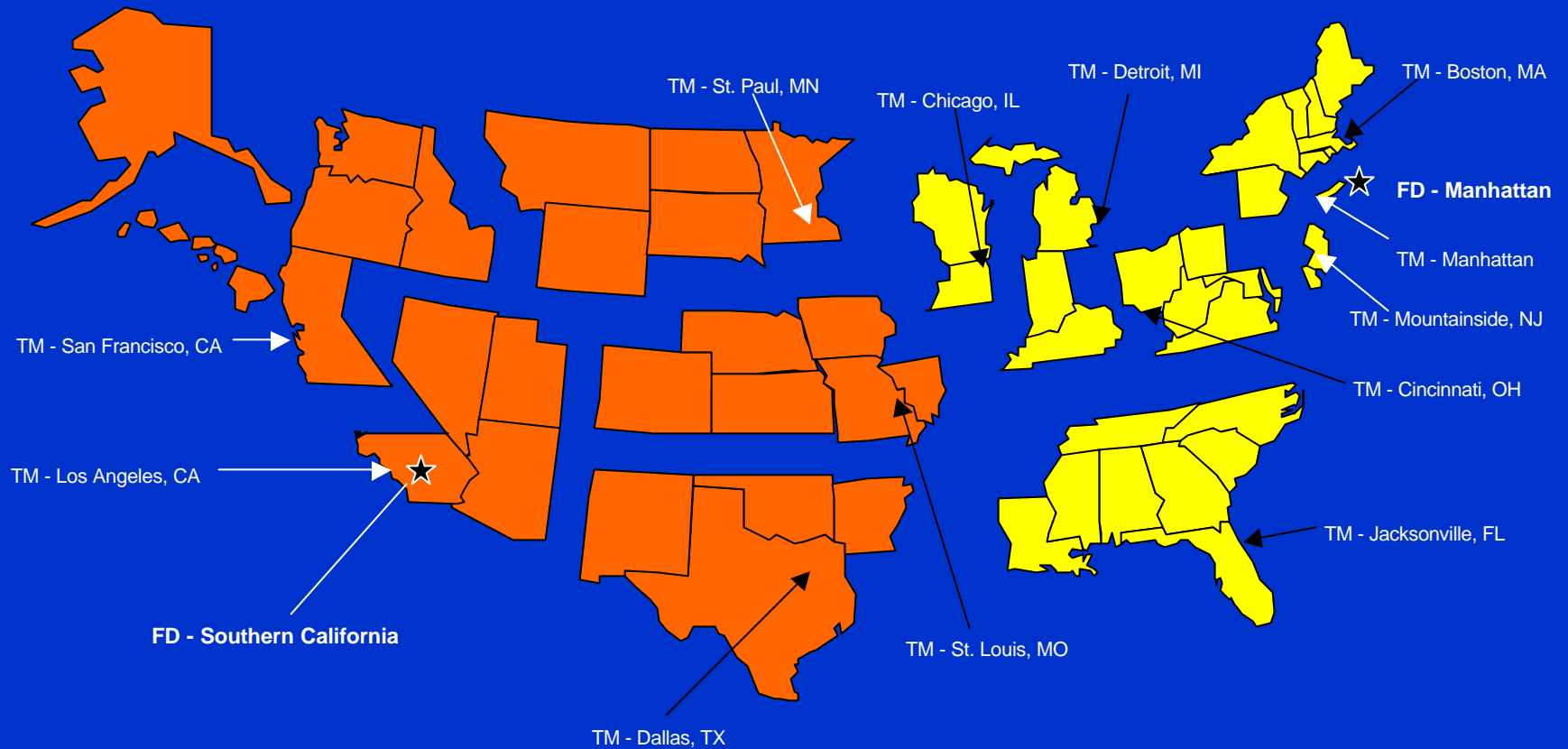






# *RETAILERS, FOOD & PHARMACEUTICALS*

- 25,000 taxpayers – approximately 1,000 large businesses and 24,000 mid-size businesses
- Headquarters: Chicago
- Taxpayers related to food and beverage, retailing, pharmaceuticals, agricultural commodities and farms
- Similarity of financial reporting
- Similar growth patterns and geographic dispersions

# RETAILERS, FOOD AND PHARMACEUTICALS

Retailers, Food and Pharmaceuticals - Draft 11/05/99



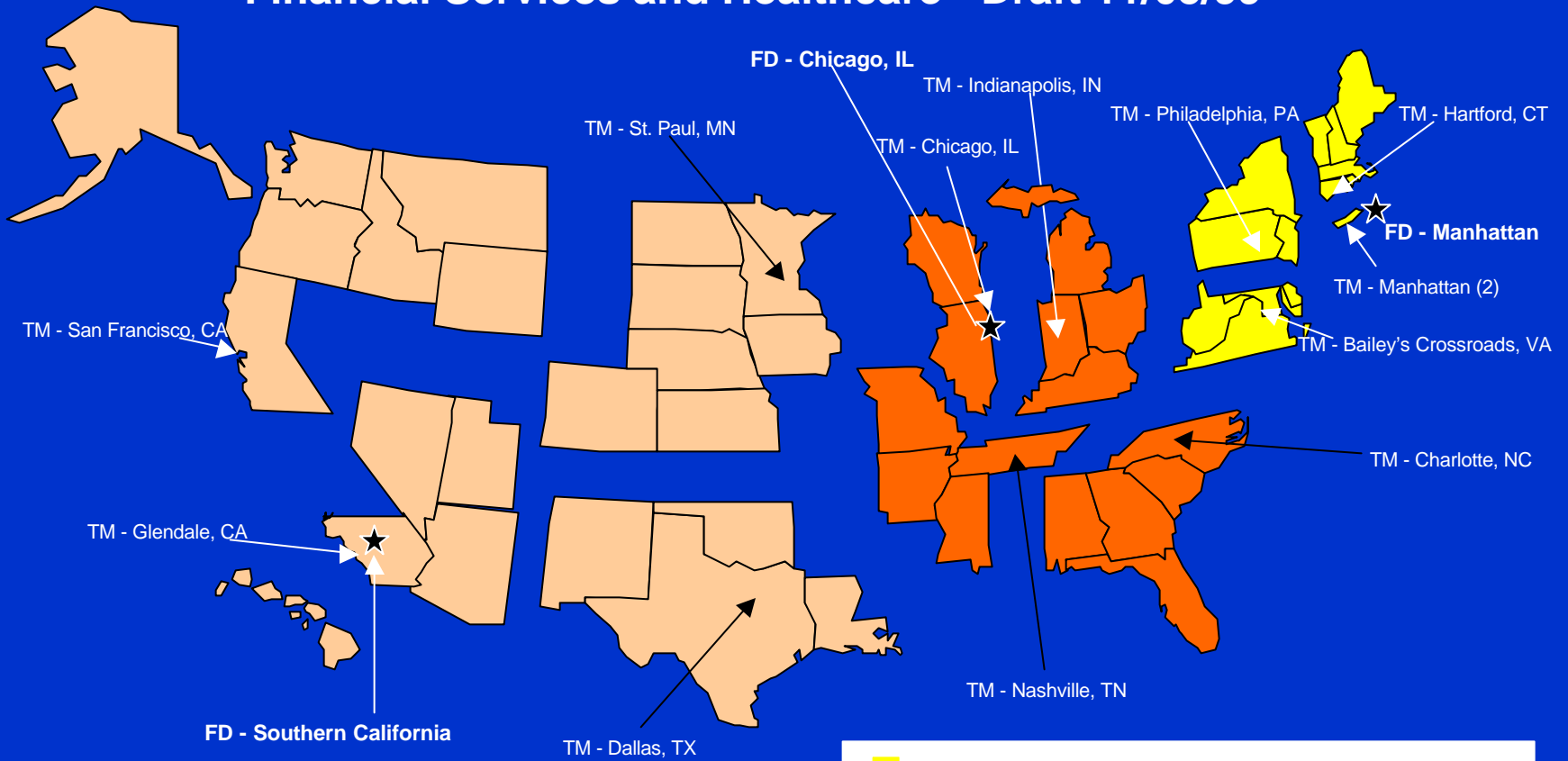
	FD - Manhattan		= TM - Territory Manager
	FD - Southern California		= FD - Field Director






# *FINANCIAL SERVICES AND HEALTHCARE*

- Largest sector: 40,000 taxpayers – approximately 5,000 large businesses and 35,000 mid-size businesses
- Headquarters: Manhattan
- Taxpayers related to commercial banking, savings and loans, securities and other financial services, health care and insurance
- Widespread consolidation across industries
- Large growth from international expansion

# FINANCIAL SERVICES AND HEALTHCARE

## Financial Services and Healthcare - Draft 11/05/99



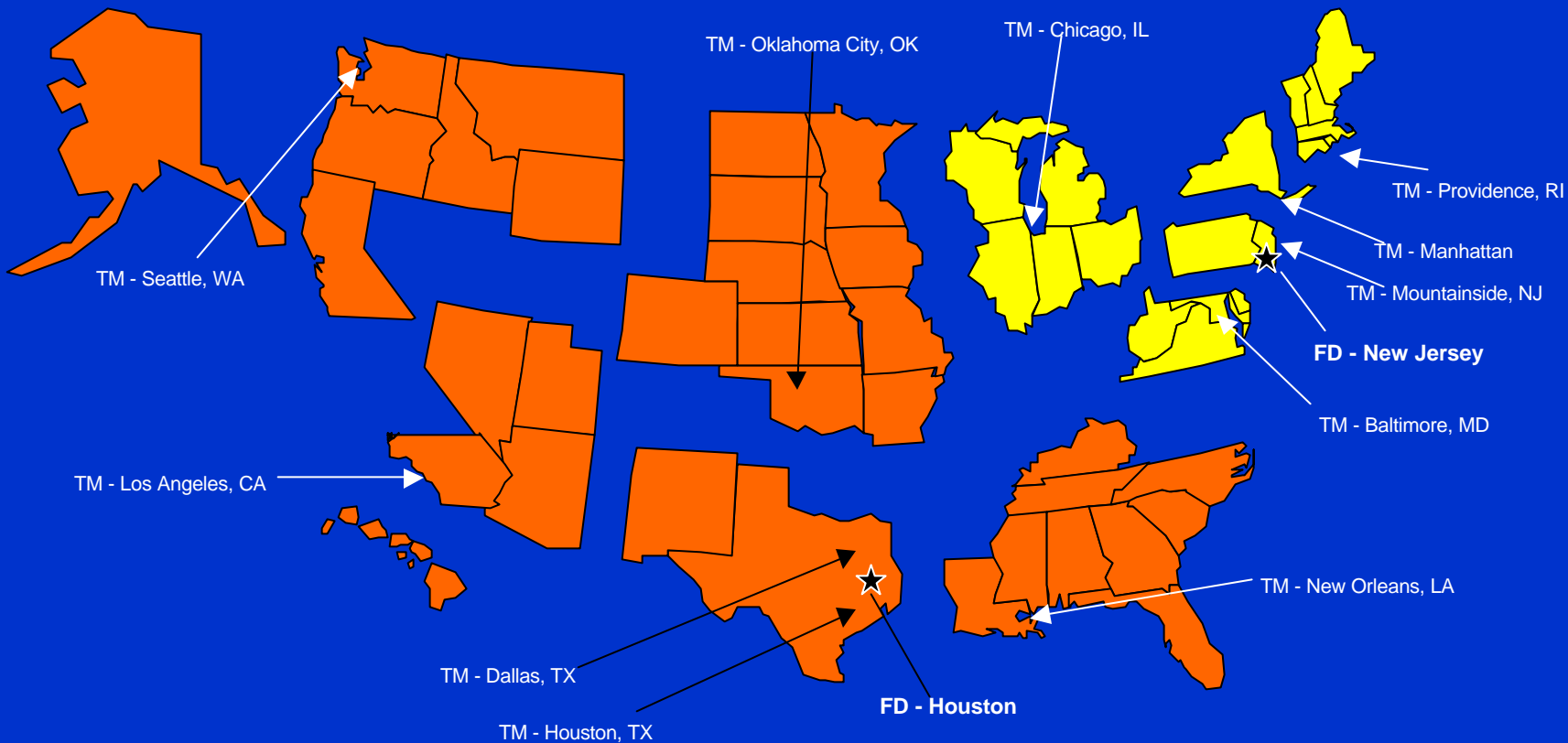
	FD - Manhattan		= TM - Territory Manager
	FD - Chicago, IL		= FD - Field Director
	FD - Southern California		





# ***NATURAL RESOURCES***

- 15,000 taxpayers – approximately 1,300 large businesses and 13,700 mid-size businesses
- Headquarters: Houston
- Taxpayers related to oil and gas, mining, forest products and utilities
- Reflects chemical engineering, energy-related industries and all natural resources
- Significant growth from overseas activities expected
- Utility component is experiencing significant merger activity

# NATURAL RESOURCES

Natural Resources - Draft 11/05/99



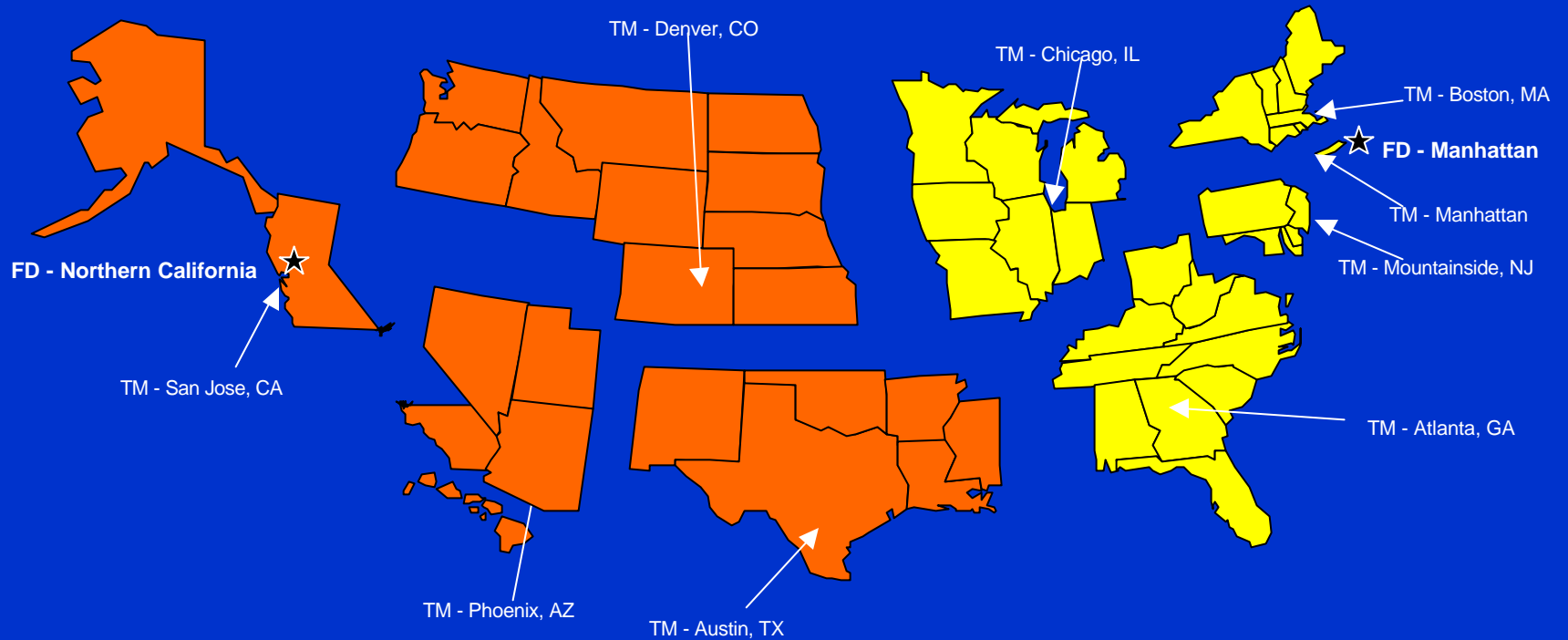
	FD - New Jersey		TM - Territory Manager
	FD - Houston		FD - Field Director

# *COMMUNICATIONS, TECHNOLOGY AND MEDIA*

- 12,000 taxpayers – approximately 500 large businesses and 11,500 mid-size businesses
- Headquarters: San Francisco Bay Area
- Taxpayers related to:
  - Production of computers
  - Media, including communications and software
  - Sport franchises and recreational firms
- Experiencing extremely high growth and significant industry convergence

# COMMUNICATIONS, TECHNOLOGY AND MEDIA

Communications, Technology and Media - Draft 10/21/99



- |   |                          |   |                          |
|---|--------------------------|---|--------------------------|
|  | FD - Manhattan           |  | = TM - Territory Manager |
|  | FD - Northern California |  | = FD - Field Director    |

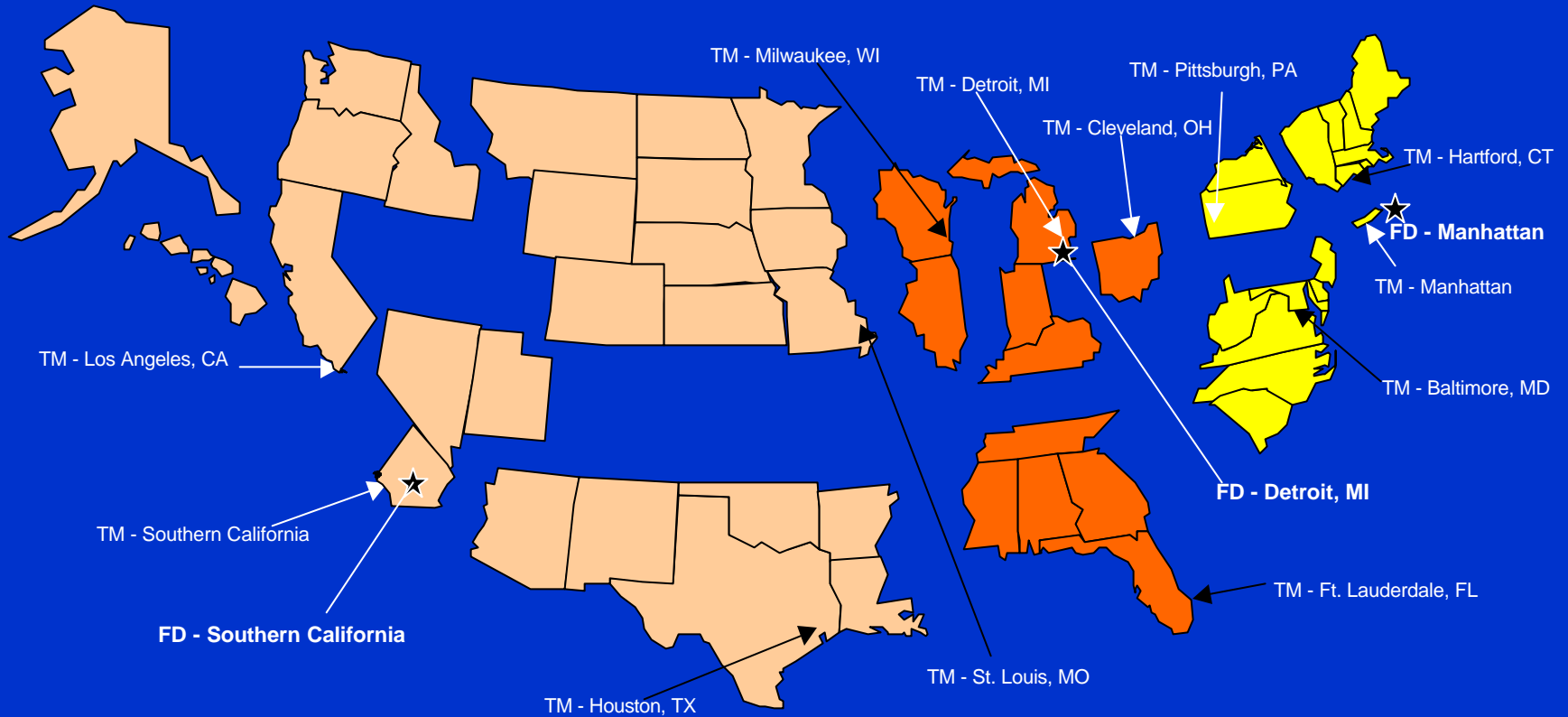


# ***HEAVY MANUFACTURING, CONSTRUCTION & TRANSPORTATION***

- 88,000 taxpayers – approximately 1,500 large businesses and 86,500 mid-size businesses
- Headquarters: Central New Jersey
- Taxpayers related to air and ground transportation, aerospace, motor vehicles, shipping, construction and real estate
- Reflects heavy manufacturing businesses
- Sensitive to interest rate changes/volatility
- Highly cyclical
- Slow to moderate growth expected

# HEAVY MANUFACTURING, CONSTRUCTION & TRANSPORTATION

Heavy Manufacturing, Construction and Transportation - Draft 11/05/99



- FD - Manhattan = TM - Territory Manager
- FD - Detroit, MI ★ = FD - Field Director
- FD - Southern California

### **Session Objective**

IRS will provide a brief overview of the new Tax Exempt and Government Entities Operating Division, profile the market segments, discuss strategic approaches, and taxpayer assistance initiatives. The three distinct groups of TE/GE taxpayers will be defined and the key categories of TE/GE taxpayer needs will be outlined.

### **Moderator and Panelists**

**Moderator:**

*Susan P. Serota, Winthrop, Stimson, Putnam, & Roberts, New York, NY*

**Panelists:**

<i>Evelyn Petschek</i>	<i>Commissioner, Tax Exempt and Government Entities Division, Internal Revenue Service</i>
<i>Darlene Berthod</i>	<i>Deputy Commissioner, Tax Exempt and Government Entities Division, Internal Revenue Service</i>
<i>Steve Miller</i>	<i>Director, Exempt Organization, Tax Exempt and Government Organizations Division, Internal Revenue Service</i>
<i>Carol Gold</i>	<i>Director, Employee Plans, Tax Exempt and Government Entities Division, Internal Revenue Service</i>
<i>Ed Weiler</i>	<i>Director, Government Entities, Tax Exempt and Government Entities Division, Internal Revenue Service</i>

## **Discussion Points**

- Implementation is a process not an event. While the TE/GE Division became operational in December 1999, TE/GE will be migrating to its new organizational structure and building new capabilities during 2000.
- The TE/GE organization is structured around three primary customer segments: Employee Plans, Exempt Organizations, and Government Entities. The new structure allows for better customer-focused service. Each customer segment is responsible for understanding the needs of its customers.
- Additionally, the organizational structure provides clear lines of authority and responsibility. Whereas the prior Key District structure included 6 separate reporting lines, the new line authority structure is comprised of a single reporting line in each customer segment. The clear lines of authority enhance TE/GE's ability to achieve improved consistency in the application of policies.

# **MODERNIZATION UPDATE**

## **The New IRS Stands UP**

### **Meet the New IRS**

#### ***Tax Exempt/Government Entities Operating Division***

##### **TE/GE At-a-Glance**

**Mission:** To provide TE/GE customers top quality service by helping them understand and comply with applicable tax laws and to protect the public interest by applying the tax law with integrity and fairness to all.

**Headquarters:** Washington, DC

**Management Team:** Evelyn A. Petschek, Commissioner  
Darlene R. Berthod, Deputy Commissioner  
Carol Gold, Director, EP  
Steve Miller, Director, EO  
Ed Weiler, Director, GE

**Operating Unit Headquarters:**  
Washington, DC; Cincinnati, OH; Baltimore, MD;  
Dallas TX

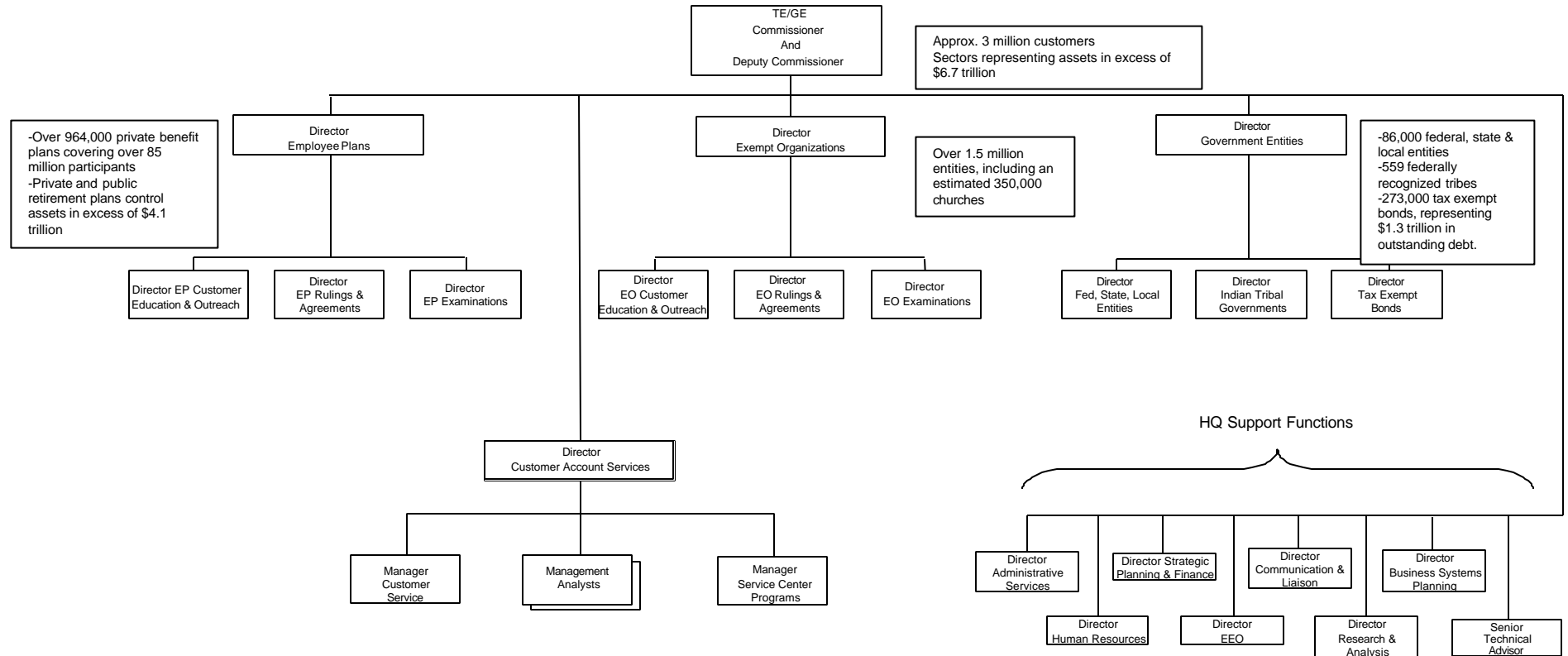
**Field Offices** throughout the nation

**Taxpayer Stats:**

- 2.4 million filers that range from small local community organizations and municipalities to major universities, huge pension funds, state governments, and complex tax exempt bond deals
- Pay more than \$220 billion in employment tax and income tax withholding
- Control \$6.7 trillion in assets
- Employee Plans taxpayers represent private and public retirement plans with \$4.1 trillion in assets
- Exempt Organization taxpayers represent more than 1.5 million tax exempt organizations, including 350,000 religious organizations with \$1.3 trillion in assets
- Government Entities taxpayers include 273,000 outstanding tax exempt bond issuances with a total value of \$1.3 trillion, 86,000 Federal, state, and local entities, and 559 Federally recognized Indian tribes

# Tax Exempt and Government Entities Division

## High-level Organization Chart



## **Meet the New IRS**

### ***Tax Exempt/Government Entities Operating Division***

The Tax Exempt and Government Entities Division was established in late 1999 as part of the Internal Revenue Service's modernization effort. This Division replaces the former Assistant Commissioner (Employee Plans and Exempt Organizations) function, in Washington, DC and around the country, which was established as a result of the Employee Retirement Income Security Act of 1974.

The Division is designed to serve the needs of three very distinct customer segments: Employee Plans, Exempt Organizations, and Government Entities. The customers range from small local community organizations and municipalities to major universities, huge pension funds, state governments, Indian tribal governments and complex tax exempt bond deals. These organizations represent a large economic sector with unique needs and are governed by complex, highly specialized provisions of the tax law. For example, in the employee plans and exempt organizations areas, these provisions are not designed to generate revenue, but rather to ensure that the entities fulfill the policy goals that their tax exemption was designed to achieve. Although generally paying no income tax, this sector does pay over \$220 billion in employment taxes and income tax withholding and controls approximately \$6.7 trillion in assets.

The TE/GE operating division was created to address four basic key customer needs, education and communication, rulings and agreements, examination, and customer account services. Education and communication efforts will focus on helping customers understand their tax responsibilities with outreach programs and activities tailored to their specific needs. Rulings and agreements efforts will provide a strong emphasis on up-front compliance programs, such as the determination, voluntary compliance, and private letter ruling programs. Examination initiatives will identify and address non-compliance, through customized activities within each customer segment, and Customer Account Services will provide taxpayers with efficient tax filings as well as accurate and timely responses to questions and requests for information.

The Commissioner of the Tax Exempt and Government Entities Division is responsible for the uniform interpretation and application of the Federal tax laws on matters pertaining to the

**Meet the New IRS**  
***Tax Exempt/Government Entities Operating Division***

Division's customer base. In addition, the Commissioner provides advice and assistance throughout the Service, to the Department of the Treasury, other government agencies, including state governments and Congressional committees, and maintains particularly close liaison with the Department of Labor and the Pension Guaranty Corporation.

The Tax Exempt and Government Entities Division Headquarters is located in Washington, DC. EP and EO field activities are managed through six area offices and GE is centrally managed out of the headquarters office.

**KEY SUCCESS FACTORS**

- Continuous emphasis on understanding the customer
- End-to-end accountability
- Well-informed employees empowered to make decisions
- Use of technology and technological enhancements to allow Tax Exempt and Government Entities to meet customers' needs
- Open, honest and clear lines of communication
- Quality control over key processes.

**Key TE/GE Contacts**

Evelyn A. Petschek, Commissioner Darlene R. Berthod, Deputy Commissioner	(202) 622-6710 (202) 622-6873 Fax
Carol Gold, Director, EP	(202) 622-8300 (202) 622-5805 Fax
Steve Miller, Director, EO	(202) 622-8100 (202) 622-5088 Fax
Ed Weiler, Director, GE	TBA
Sarah Hall Ingram, Associate Chief Counsel	(202) 622-6000



## Meet the New IRS

*Tax Exempt/Government Entities Operating Division*

### Tax Exempt and Government Entities

*TE/GE customers fall into three very distinct groups:*

#### **Employee Plans**

Retirement plans including:

- Qualified Plans
- Tax-Sheltered Annuities
- Government Deferred Compensation Plans

#### **Exempt Organizations**

Exempt organizations including:

- Charities
- Foundations
- Trade Associations
- Labor Unions
- Civic Associations
- Political Action Committees

#### **Government Entities**

Government & Bonds including:

- Federal Governments
- State Governments
- Local Governments
- Indian Tribal Governments
- Tax-Exempt Bonds

**Meet the New IRS**  
***Tax Exempt/Government Entities Operating Division***

**EMPLOYEE PLANS**

Mission: To provide Employee Plans customers top quality service by helping them to understand and comply with applicable tax laws, and to protect the public interest by applying the tax law with integrity and fairness to all.

The Director, Employee Plans, reports to the Commissioner/Deputy Commissioner, Tax Exempt and Government Entities Division, and is responsible for planning, managing, directing and executing nationwide activities for Employee Plans. Employee Plans is commonly abbreviated EP.

The EP activities cover:

- employee plans (including the qualification of pension, annuity, profit-sharing, and stock bonus plans, individual retirement arrangements, simplified employee pensions, saving incentive match plans for employees, tax sheltered annuities and IRC 457 plans) and related trusts
- tax treatment of participants and their beneficiaries
- deductions for employer contributions and procedural and
- administrative provisions with respect to such plans.

Examples of actions EP undertakes to accomplish its mission:

- Develops and implements measures for the EP function that balance customer satisfaction, employee satisfaction and business results.
- Assists EP customers in understanding their tax responsibilities.

**Meet the New IRS**  
***Tax Exempt/Government Entities Operating Division***

**EXEMPT ORGANIZATIONS**

Mission: To provide Exempt Organizations customers top quality service by helping them to understand and comply with applicable tax laws, and to protect the public interest by applying the tax law with integrity and fairness to all.

The Director, Exempt Organizations, reports to the Commissioner/Deputy Commissioner, Tax Exempt and Government Entities Division, and is responsible for planning, managing, directing and executing nationwide activities for Exempt Organizations. Exempt Organizations is commonly abbreviated EO.

Exempt Organizations include:

- Organizations exempt from income tax under IRC 501 (including private foundations and organizations described in IRC 170(b)(1)(A)(except clause (v))
- Political organizations described in IRC 527
- Organizations described in IRC 4947(a)
- Prepaid legal plans described in IRC 120
- Welfare benefit funds described in IRC 4976.

Examples of actions EO undertakes to accomplish its mission

- Develops and implements measures for the EO function that balance customer satisfaction, employee satisfaction and business results.
- Assists EO customers in understanding their tax responsibilities.
- Coordinates tax administration and enforcement activities with other federal and state agencies.

**Meet the New IRS**  
***Tax Exempt/Government Entities Operating Division***

**GOVERNMENT ENTITIES**

Mission: To provide Government Entities customers top quality service by helping them to understand and comply with applicable tax laws, and to protect the public interest by applying the tax law with integrity and fairness to all.

The Director, Government Entities, reports to the Commissioner/Deputy Commissioner, Tax Exempt and Government Entities Division, and is responsible for planning, managing, directing and executing nationwide activities for Government Entities. Government Entities is commonly abbreviated GE.

Government Entities include federal, state and local governments, Indian tribal governments, and issuances of tax exempt bonds.

Examples of actions GE undertakes to accomplish its mission:

- Develops and implements measures for the GE function that balance customer satisfaction, employee satisfaction and business results.
- Administers federal tax laws applicable to federal, state and local governments, Indian tribal governments, and issuances of tax exempt bonds through compliance checks and examination of returns.
- Develops the overall GE compliance strategy and goals to enhance compliance consistent with overall TE/GE strategy and implements and evaluates GE examination policies and procedures.

## ***Modernization Update*** ***The New IRS Stands UP***

### **Meet the New IRS** ***Chief Counsel***

#### **Counsel At-a-Glance**

**Mission:** Provide the correct legal interpretation of the Internal Revenue laws; represent the IRS in litigation; provide all other legal support for the IRS; and interpret the law with complete impartiality, so that taxpayers will know the law is being applied with integrity and fairness.

**Headquarters:** Washington, DC

**Management Team:** Stuart Brown, Chief Counsel

Marlene Gross, Deputy Chief Counsel  
(Operations)

Richard Skillman, Deputy Chief  
Counsel (Technical) (Designee)

The New Chief Counsel organizational structure is designed to assist the Service in applying the law correctly and consistently for all taxpayers.

#### Counsel National Office

Counsel will continue to maintain a centralized group of subject matter experts in the National Office, organized on the basis of Internal Revenue Code subject matter.

- The National Office will continue its traditional functions (e.g., drafting regulations and other published guidance; issuing private letter rulings and technical advice).
- Some parts of the National Office will undertake an internal reorganization primarily designed to enhance service to the Field.

## **Meet the New IRS Chief Counsel**

### Counsel Field Organization

Counsel's Field organization will be divided into specialized groups that are aligned with the new IRS Operating Divisions.

- Each new unit will be headed by a "Division Counsel" who will work directly with the Division Commissioner and will also have nationwide supervision of all the attorneys assigned to the work of that Division.
- Each Division Counsel unit will have an intermediate field management structure that lines up with the corresponding IRS management structure.
- Counsel's front line attorneys will continue to be located in all local posts of duty where they are today.

Both the National Office and Division Counsel units will remain part of the Office of Chief Counsel.

# OFFICE OF CHIEF COUNSEL MODERNIZATION OVERVIEW

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# GUIDING PRINCIPLES AND FUNDAMENTAL DECISIONS

Goal: Help Accomplish IRS mission of serving America's taxpayers

## Guiding Principles

To accomplish this goal, Counsel organization and processes should be designed to:

- Provide the highest quality legal services to taxpayers and the IRS
- Work in active partnership with colleagues in the IRS, Treasury and Justice Department to help accomplish the IRS' mission
- Ensure that legal advice reflects Counsel's independent professional judgment as to the correct interpretation of the law, based on finding the true meaning of the statute in light of Congressional intent, without bias in favor of either the government or the taxpayer

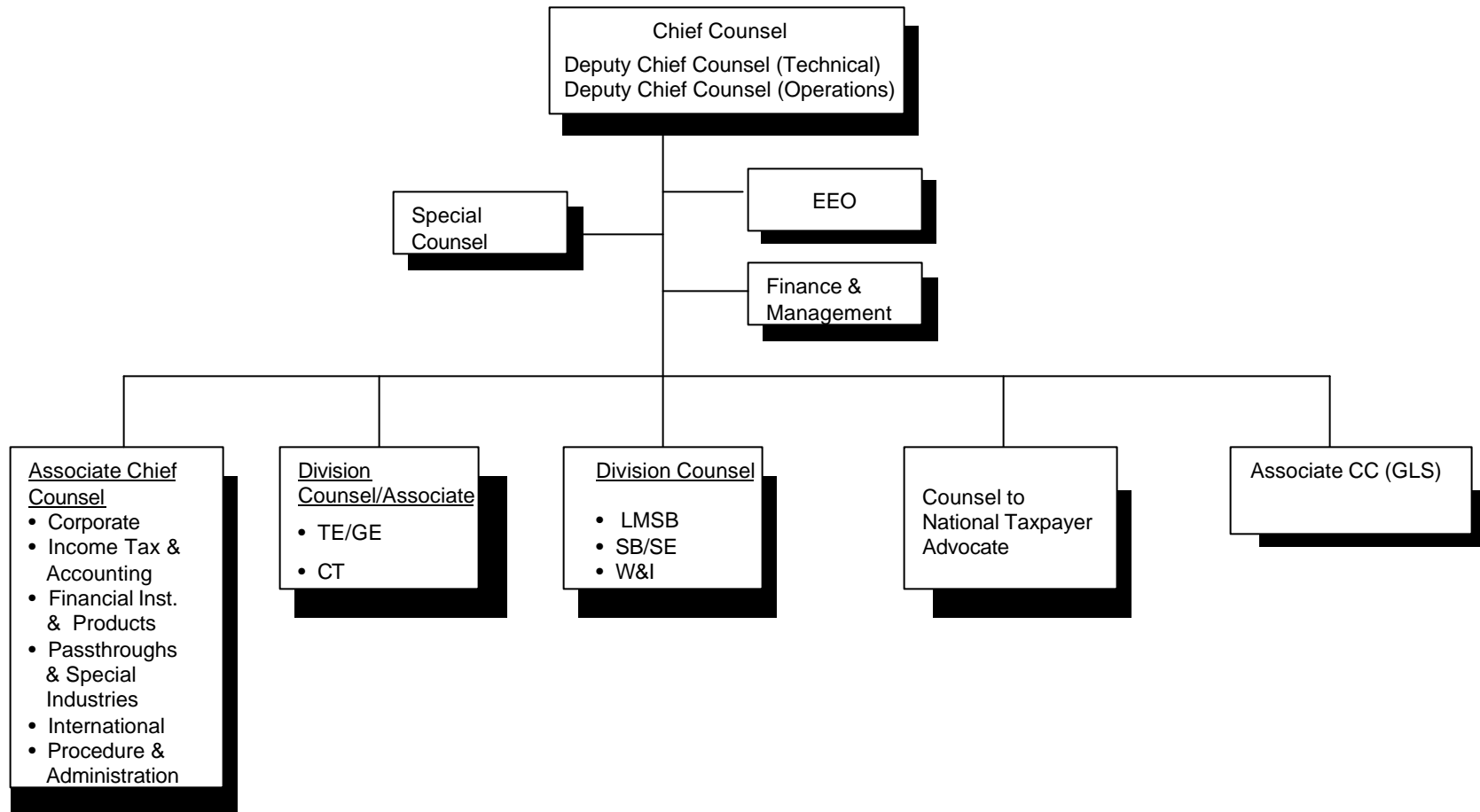
## Fundamental Decisions

- To maintain consistency, uniformity and impartiality in tax law interpretations, all Counsel personnel will continue to be part of a unified, nationwide Chief Counsel organization
- To develop an active working partnership with new IRS Operating Divisions, Counsel will establish four new "Division Counsel (DC)" units
  - Each unit will be headed by a Division Counsel who will directly serve the Division Commissioner
  - Most of Counsel's field attorneys will be assigned to one or another of the Division Counsel units.
  - Alignment will enhance the expertise of the attorneys in the areas of tax law most relevant to the Operating Division they serve, and help them develop close working relationships with employees, managers and executives of the Operating Divisions
- Counsel's National Office technical experts will remain in Washington, D.C., and will continue to be organized primarily on the basis of the tax law technical subject areas required by the Internal Revenue Code. This preserves Counsel's depth of technical expertise and ensures that legal interpretations are consistent for all taxpayers and all Operating Divisions



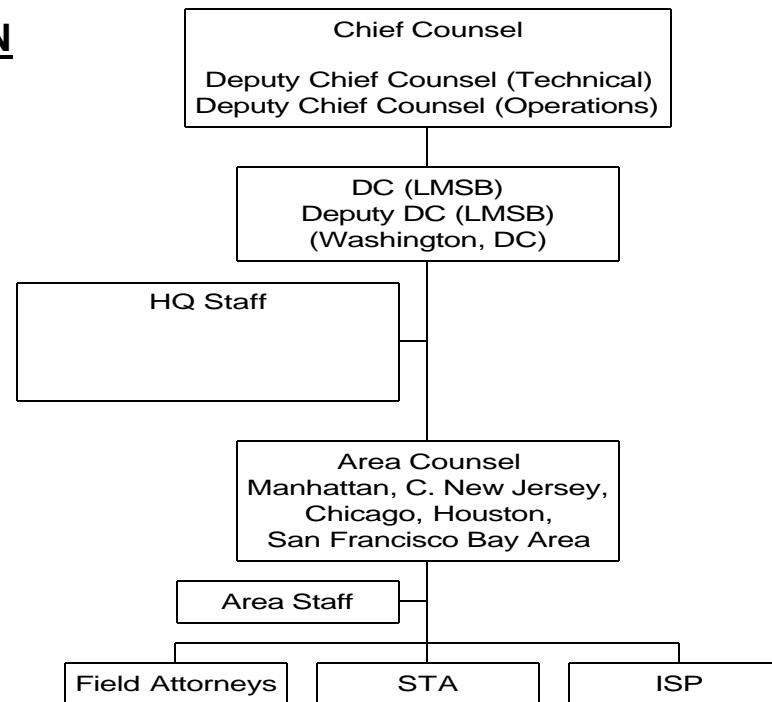
# Structural Changes . . .

## THE NEW COUNSEL STRUCTURE ENCOMPASSES HEADQUARTERS, TECHNICAL UNITS AND DIVISION COUNSEL/FIELD OFFICES



THE DIVISION COUNSEL (LMSB) WILL HAVE A LEAN HEADQUARTERS ORGANIZATION FOCUSING ON STRATEGY, PLANNING & OPERATIONS MANAGEMENT, WITH A GEOGRAPHICALLY DISPERSED FIELD ORGANIZATION

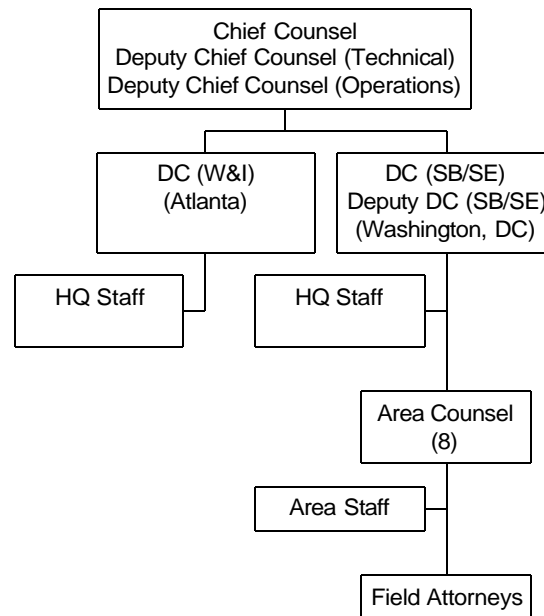
**DC (LMSB) ORGANIZATION**



- DC headquarters will be co-located with the LMSB Operating Division Commissioner
- Five SES Area Counsel will be co-located with the five LMSB Industry Directors
- Special Trial Attorneys and Industry Counsel attorneys will report to Area Counsel
- Area Counsel will supervise field attorney groups within a geographic area and also provide program & strategy advice to their Industry Director
- LMSB field attorneys (approximately 250) will be located in groups in about 25 locations, with additional remotely managed attorneys in other Counsel office locations

# THE DIVISION COUNSEL (SB/SE) WILL HAVE FIELD ATTORNEY GROUPS LOCATED IN 51 POSTS OF DUTY. W&I FIELD WORK WILL BE HANDLED BY SB/SE FIELD ATTORNEYS

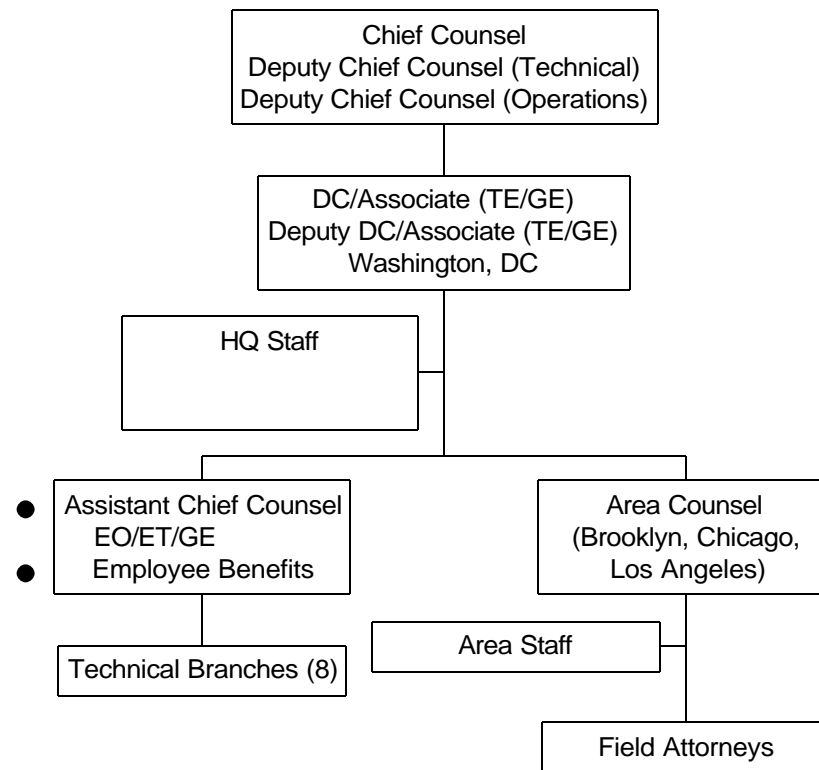
## DC (SB/SE) AND (W&I) ORGANIZATIONS



- DC headquarters will be co-located with the respective Division Commissioner
- Eight SB/SE Area Counsel will supervise field attorney groups within geographic areas comprising one or more of the 14 SB/SE areas
- SB/SE field attorneys (approximately 320) will be located in groups in the current Counsel field office locations
- The DC (W&I) will not have a field footprint. W&I field work will be assigned to SB/SE field attorneys.

# THE DC/ASSOCIATE (TE/GE) WILL SUPERVISE BOTH NATIONAL OFFICE TECHNICAL EXPERTS AND FIELD ATTORNEYS HANDLING TE/GE ISSUES

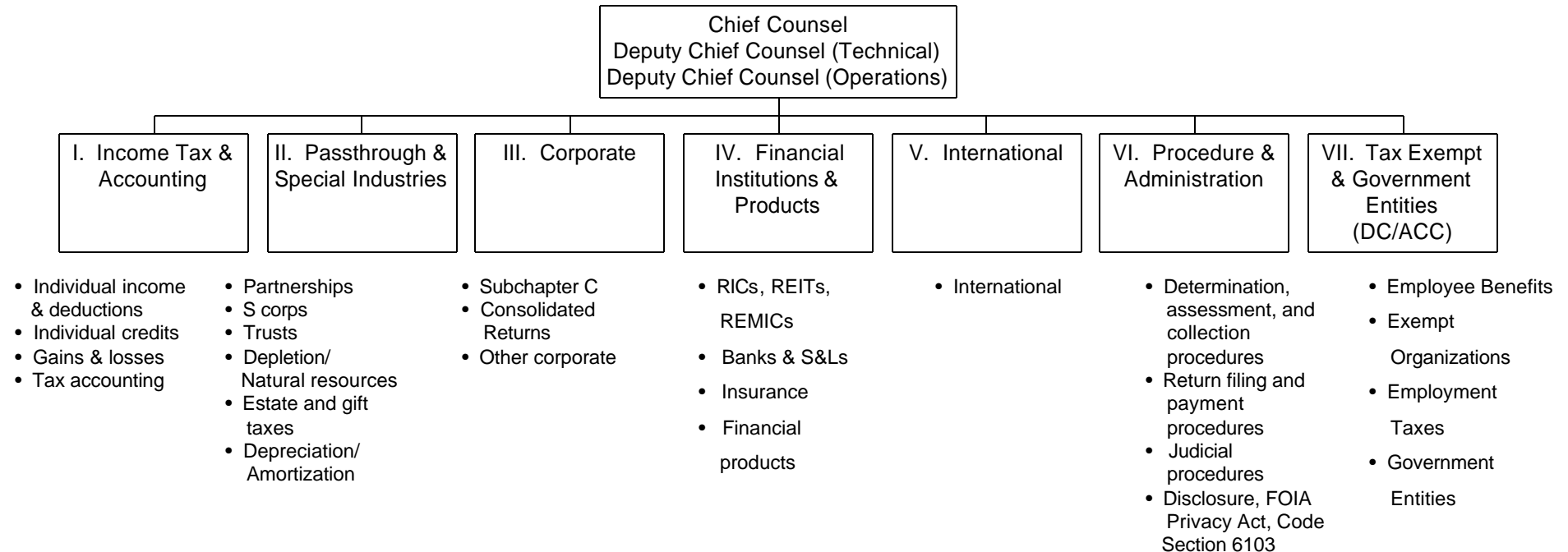
## DC/ASSOCIATE (TE/GE) ORGANIZATION



- The DC/Associate (TE/GE) will be co-located with the TE/GE Division Commissioner and will supervise the technical subject experts for employee benefits, exempt organizations, employment taxes and government entities issues, as well as TE/GE field attorneys.
- Three Area Counsel will supervise approximately 30 TE/GE field attorneys in six locations within geographic areas corresponding to multiple SB/SE areas.

# THE NATIONAL OFFICE TECHNICAL STRUCTURE WILL INCLUDE THE FOLLOWING TECHNICAL DIVISIONS

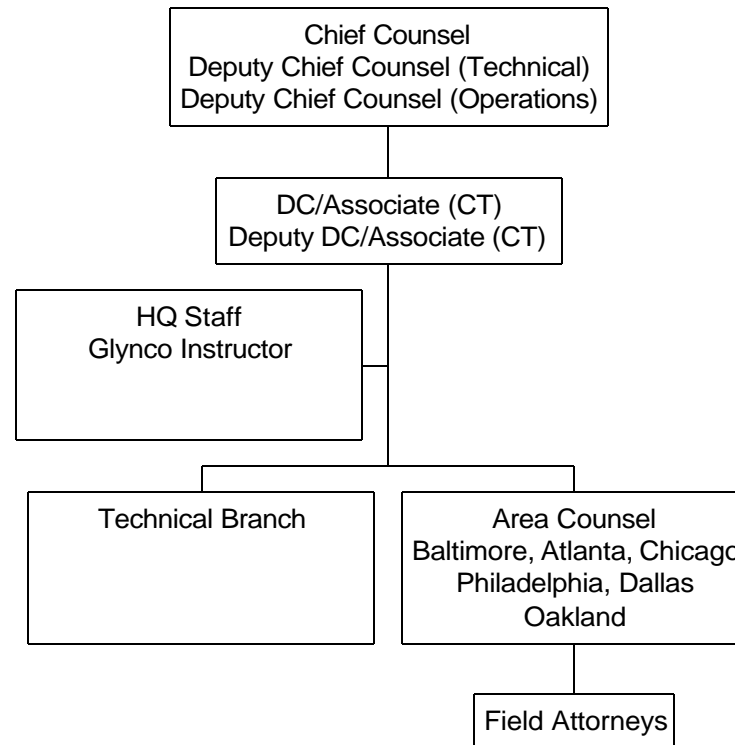
## TECHNICAL DIVISIONS



- The National Office will maintain responsibility for providing authoritative legal interpretations of the tax law. This fixes “Code accountability” on technical interpretations and ensure uniformity and consistency.
- The National Office will maintain responsibility for many of the key products that directly affect taxpayers: Published Guidance, Private Letter Rulings, Technical Advice, Field Service Advice.

# THE DC/ASSOCIATE CHIEF COUNSEL (CRIMINAL TAX) WILL SUPERVISE A NATIONAL ORGANIZATION OF CRIMINAL TAX SPECIALIST ATTORNEYS

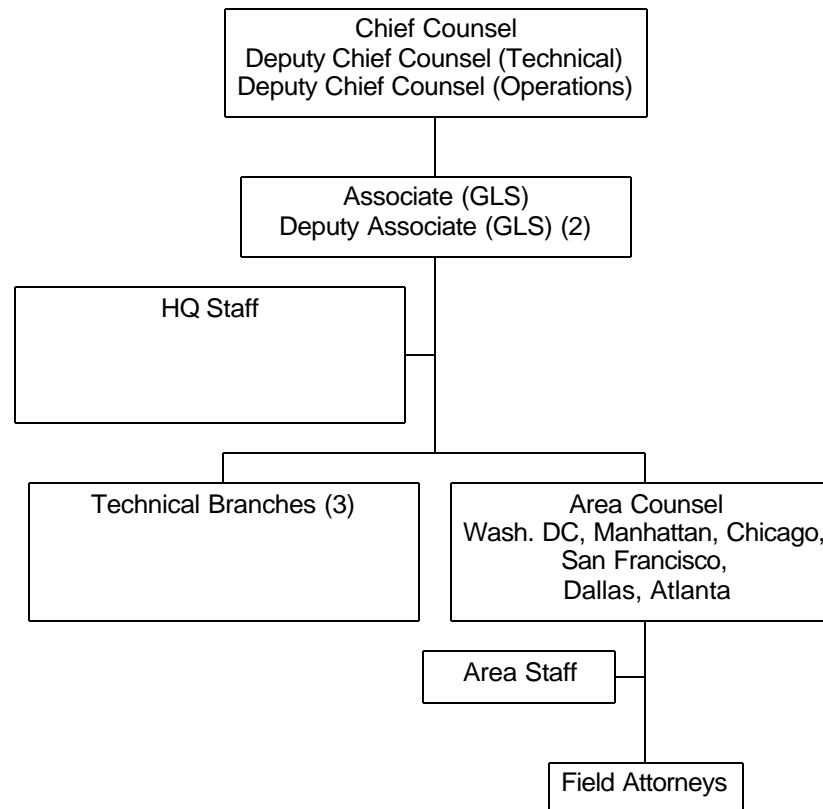
## DC/ASSOCIATE (CRIMINAL TAX) ORGANIZATION



- Six Area Counsel will be co-located with the CID Area Managers
- Field Criminal Tax attorneys (approximately 50-60 at start-up) will be substantially dedicated to Criminal Investigation Division issues & will report to the Area Counsel from about 30 posts of duty.

# THE ASSOCIATE CHIEF COUNSEL (GLS) WILL SUPERVISE BOTH NATIONAL OFFICE TECHNICAL EXPERTS AND FIELD ATTORNEYS HANDLING GLS ISSUES FOR ALL IRS COMPONENTS

## ASSOCIATE (GLS) ORGANIZATION



- Six Area Counsel will supervise approximately 40 GLS field attorneys in six locations within geographic areas corresponding to multiple SB/SE areas.
- GLS field and national office attorneys will provide labor relations, procurement, tort claim and other GLS legal services for all IRS Operating Divisions and functional units.

## COUNSEL STRUCTURAL AND PROCESS CHANGES WILL IMPROVE OUR ABILITY TO HELP THE IRS TO ACCOMPLISH ITS MISSION OF SERVING AMERICA'S TAXPAYERS

### IMPROVED SERVICE TO TAXPAYERS

- Enable Counsel employees to understand and solve problems from the taxpayer's point of view.
- Ensure uniformity of Service position across all Operating Divisions.
- Ensure prompt coordination of issues and the correct interpretation of the law, the foundation of good tax administration.

### IMPROVED SERVICE TO CLIENT: LEARNING TO BE GOOD PARTNERS

- The new structure promotes better understanding and focus on client's business practices and programs.
- Promotes more accessibility and greater expertise: successful attorneys don't just answer questions – they help solve problems.
- Engenders collaboration on up-front solutions to emerging issues.
  - Greater client involvement in strategic management of published guidance needs.
  - Greater client strategic input on litigation priorities.

### PRODUCTIVITY THROUGH A QUALITY WORK ENVIRONMENT – EMPLOYEE SATISFACTION

- Skill Development
  - Interesting and challenging work assignments
  - Enhanced formal training programs
- Job Satisfaction
  - Meaningful contributions to accomplishing the IRS mission
  - Quality support services
- Career Opportunities
  - Attractive lateral and vertical career paths



## ***Modernization Update*** ***The New IRS Stands UP***

### **Meet the New IRS** ***Criminal Investigation Division***

#### **CID At-a-Glance**

**Mission:** Criminal Investigation serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law.

**Headquarters:** Washington, DC

**Management Team:** Mark E. Matthews, Chief

**Area HQ Offices:** Atlanta, GA; Baltimore, MD; Chicago, IL; Denver, CO; Philadelphia, PA; San Francisco Bay area, CA

Field Offices throughout the nation; special agents located in 326 offices, including six foreign countries and all 10 service centers. CI territory offices will be aligned with the boundaries of the Federal judicial districts to enable each US Attorney's Office to have contact with only one CI office.

**Taxpayer/Stakeholders Interactions:**

- Taxpayers in all operating divisions
- US Attorney Offices
- Department of Justice, Tax Division
- Other law enforcement agencies

## **Meet the New IRS *Criminal Investigation Division***

- The design of the new CI organization is based in part on recommendations made in the Webster Report, an independent study conducted by former FBI and CIA Director, William Webster.
- The new CI organization will function as a separate line organization reporting directly to the Commissioner. The chain of command will consist entirely of CI personnel, and will flow from the frontline to the organizational head.
- The management team for CI includes the Chief, Criminal Investigation; program heads with the title of Director, and territory managers known as Special Agents in Charge.
- A key change in CI Headquarters operations will be the establishment of the IRS Office of Director of Strategy. The office will be responsible, along with the operating divisions, for developing an IRS compliance strategy that supports increasing voluntary compliance.
- Five principles were followed to design the new field footprint and operating guidelines:
  1. Align the reporting structure with IRS Area Boundaries and U.S. Judicial Districts to improve stakeholder interfaces.
  2. Increase operational focus and accountability.
  3. Increase consistency in the application of national compliance strategy.
  4. Increase the efficient use of resources and eliminate duplicity in case review and approval.
  5. Ensure that the best cases are pursued through a collaborative effort between CI, Counsel, DOJ and EOUSA in the case management process.