



BANK & CAPITAL MARKETS
TAX INSTITUTE

VIRTUAL CONFERENCE & WORKSHOPS

Thursday, November 12, 2020

IRS developments



November 12, 2020

State of LB&I

*With LB&I Commissioner Doug O'Donnell and
Director, Financial Institutions & Products Pete Puzakulics*



Topics for Discussion

- Current operating posture/cadence, impact of COVID-19 and CARES Act
- Current priorities and focus areas
 - International Coordination
 - TCJA
 - Data analytics efforts
 - Key portfolio work and issues
 - Other recent updates
- Taxpayer First Act



COVID-19 Impact

- Early March – Washington, D.C. and Seattle
- Rapid spread and impact
- Commissioner's People First Initiative March 25
- Chief Human Capital Officer Evacuation Order
- Pivot to telework or weather & safety leave
- Operational cadence limited due to on-site processes
- Massive effort to equip personnel – to answer taxpayer questions; to process payments where possible
- Employee recall began June 1 for Utah (Ogden Campus), Texas (Austin Campus) and Kentucky (Covington Campus)



COVID-19 Impact

- Continued recalling until all states were “open” and Campuses operational
- Mail backlog is being worked
- Many individuals remain on telework
- Lessons learned for future, e.g., maximize flexibilities and rapid pivot, and expanding availability of virtual tools
- Improves flexibility of examinations – more virtual requiring less immediate proximity to taxpayers; improves hiring options where pay may be less competitive.



COVID-19 Impact - Ongoing

- Continuing to monitor impact to taxpayers and our workforce and respond accordingly and afford flexibility where feasible.
- Expansion of digital transmission will continue until further notice; Temporary deviation through 12/31 allowing digital signatures on certain specified paper filings.

COVID-19 Impact – Other observations

- Return to offices – when we have certainty for a safe environment.
- Return to taxpayers/ reps – similar to employees considering mutual concerns.



COVID-19 – Global and Partners

- Significant coordination and sharing of experiences
- Travel restrictions impact MAP – looking to improve dispute resolution
- Continuing work virtually and with emphasis upon digital platforms to meet.

CARES Act

- Forms 1139 entering exam workstream
- Joint Committee Review Process
- Anticipate increase in filings of preliminary returns, followed by subsequent filing of a superseding return.



Current Priorities and Focus Areas: International Coordination

Ongoing focused effort:

MAP Forum

- Public Consultation on Action 14 2020 review: A draft of proposals and ideas for revising, updating, and possibly adding to the elements of the Action 14 minimum standard is expected to be released soon to the public. There is expected to be a public consultation before the end of the year, perhaps in mid- to late-November.
- Coordination re: COVID-19: MAP Forum is partnering with WP6 on guidance regarding issues revolving around current economic conditions, including best practices for competent authorities to follow in considering MAP and APA cases. A draft of the guidance has been circulated within WP6 and MAP Forum, with the goal of releasing the document by year's end.
- Ongoing Coordination: The focus groups on (i) benchmarking for “routine” transactions, (ii) APA process improvements, and (iii) multilateral MAP and APA cases continue their work. (Exact work product and timing is still fluid.)



Current Priorities and Focus Areas: International Coordination

International Compliance Assurance Program (ICAP)

The timeline for the second ICAP pilot was impacted by the pandemic, but risk assessments are continuing virtually and a few have even been completed.

We think that multilateral risk assessment is an important tool in the Tax Certainty tool kit complementing other tools, including APAs and joint audits.

The plan is to launch ICAP as a permanent program as part of the Tax Certainty agenda.

In the meantime, the ICAP group continues to work through interesting issues and questions relating to risk assessment and the ICAP program.

- For example, where does risk assessment cross over into an audit and is it okay to cross that line in order to achieve the tax certainty goals of ICAP?
- Second, how can we resolve issues informally in ICAP without the need for joint audits, MAPs and APAs in ways that do not conflict with domestic laws and other procedural requirements?
- Finally, how big can the program grow given competing priorities on tax administration resources?

Any US multinationals that are interested in participating in an ICAP risk assessment should reach out and talk to us.

- There are a number of considerations relevant to participation, but we welcome interest and would be happy to discuss it with you.



Current Priorities and Focus Areas: TCJA-Related Campaigns

- Section 965 campaign – Corporations, partnerships and individuals
- Section 199 claims risk review campaign
- TCJA Campaign - Different from our other campaigns in that it is not focused on a single-issue.



Current Priorities and Focus Areas: Data Analytics & Other Efforts

- Continued emphasis on data analytics and innovation to identify noncompliance
- Several Form Improvement Efforts – Ongoing
- Improved Reporting
- Centralized risking
- Forms 8275/8275R
- Large Corporate Compliance (LCC)



Current Priorities and Focus Areas: Key Portfolio Items

- 2021 CAP Year – Application period ongoing, modified requirements for eligibility
- Global High Wealth – Examinations of high net worth individuals that extend beyond individual income tax returns to include examining related/controlled entities. LB&I working to increase its coverage in this area
- High-Income Exams – Joint effort between LB&I and the Small Business/Self Employed Division, in coordination with the Tax Exempt and Government Entities Division to increase coverage for high-income taxpayers
- Flow-Through Work – Increased hiring and coverage planned; as well as a form improvement effort to support improved identification of noncompliance



Current Priorities and Focus Areas: Key Portfolio Issues

Ongoing focused effort on key issues:

- Syndicated Conservation Easements Campaign
- Micro-Captives Campaign
- Fraud Referrals and Promoter examinations
- Virtual Currency Campaign



Current Priorities and Focus Areas: Other recent efforts

- Rev Proc 94-69 Announcement
- Case Designation Procedures
- Updated ASC 730
- Focus Guide
- Hiring and Training



Taxpayer First Act (TFA)

- Three Major Components – Comprehensive Customer Service Strategy, Organizational Structure and Training Strategy
- Draft report in progress
- Feedback from affected stakeholders informs the key objectives. (proactive outreach, seamless experience, expanded digital services).
- Formal submission of Report to Congress at the end of this year.