

Introductions

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Panel Discussion Topics

Challenges raised by resource constraints

LB&I Campaigns

Compliance Assurance Process

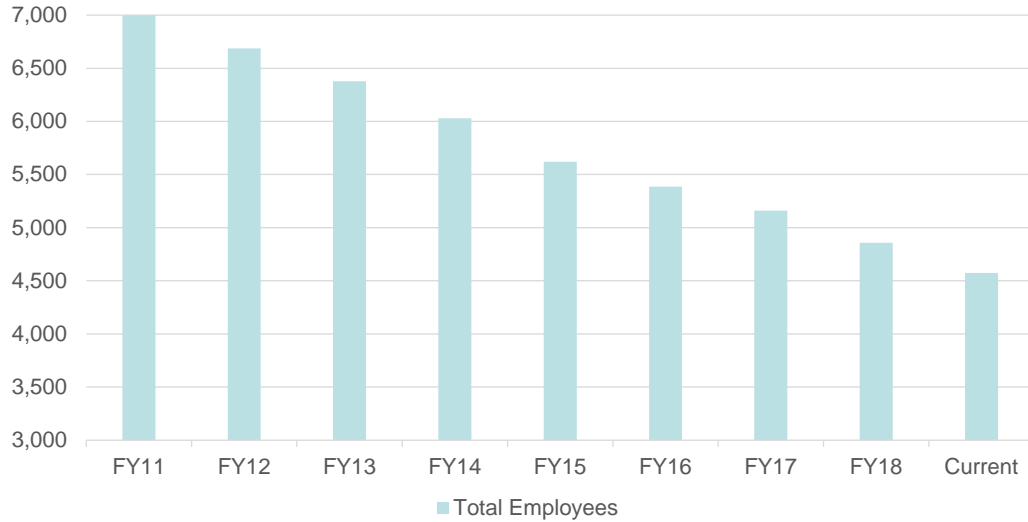
Use of Data Analysis in Audits

R&E Directive

Effect of TCJA on Controversy, including 965

IRS Resources – Challenges: Diminishing LB&I Staffing

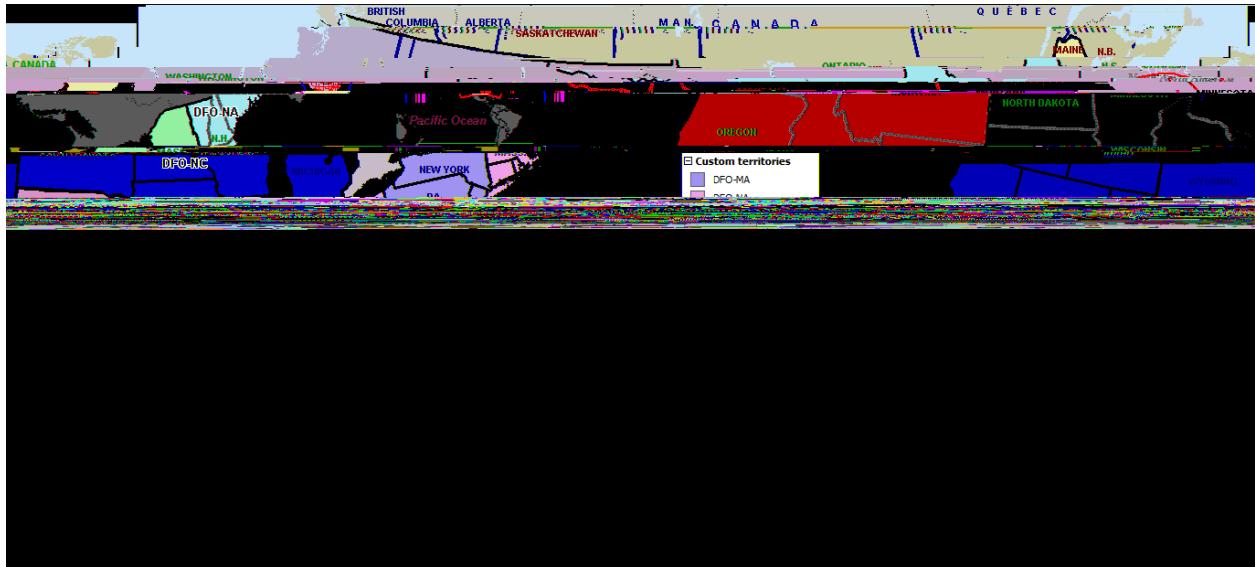
Total Staffing by Fiscal Year (numbers as of start of FY)



LB&I Geographic Practice Area Map – Pre-October 2018



DFO Geographic Practice Area Footprint (10/2018)



Notes: The 7th DFO, DFO Engineering has a national footprint and is not

Issue-based examinations

Strategic focus on issues representing a risk of non-compliance

Use of data analysis to identify areas of risk

Achieve compliance objectives through alternative treatment streams

Capitalize on knowledge of IRS employees

Deploy the right resources to address compliance issues



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Addressing Resource Constraints: Campaign Process and Function

Campaigns are the culmination of an extensive effort to redefine large business compliance work

Build a supportive infrastructure inside LB&I

Apply strategic planning and deployment of resources, training, tools, metrics and feedback.

Invest the time and resources necessary to build well-planned and well-run compliance campaigns.



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Recap of Campaigns

Definition of Campaign

A campaign is a holistic response to an issue of known or potential compliance risk. Campaigns apply the proper type and amount of resources and combination of treatment streams to achieve intended compliance outcomes. LB&I will use campaigns to identify, prioritize and allocate resources to issue-based compliance risks within the Large Business & International filing population.



Statistics on Campaigns

45 Campaigns Announced (as of Sept. 2018)

September 2018	5 Campaigns
July 2018	5 Campaigns
May 2018	6 Campaigns
March 2018	5 Campaigns
November 2017	11 Campaigns
February 2017	13 Campaigns



Campaigns – Treatment Streams

A campaign treatment stream could include:

- Examinations
- Soft letters
- Outreach
- Industry Issue Resolution program
- Tax form changes, or
- Published guidance



Where We Are Alternative Treatment Streams Used

Of the 45 Campaigns with alternative treatment streams there are a total of 57 alternative treatments broken down as:

Alternative Treatment Stream	Quantity
External Events	23
Soft Letters	21
Tax Forms and Pubs	7
IIR	1
Admin. Guidance	1
Published Guidance	2
New Legislation	2
Total	57

Data current as of October 1, 2018



Campaign development materials relate to examination selection standards; examination selection standards and the underlying data for determining such standards are protected under the law from disclosure. Access to these materials should be restricted, and in all cases these materials should not be shared beyond anyone that has a need to know. **15**

Harnessing our Collective Knowledge and Experience

Every LB&I employee is encouraged to submit compliance issues for evaluation to determine whether LB&I should expend further resources to develop a particular issue into a campaign.

This effort recognizes the importance of LB&I capturing and relying upon the vast knowledge and expertise of our work force to best use our resources to maximize compliance amongst LB&I's taxpayer population.



Compliance Assurance Process: Comprehensive Assessment

LB&I completed a comprehensive assessment of the three phases of the Compliance Assurance Process (CAP) program.

Pre-CAP,
CAP and
Compliance Maintenance.

The assessment included stakeholder (internal and external) input to inform recommended changes

Compliance Assurance Process: Comprehensive Assessment

The CAP assessment was necessary given

Compliance Assurance Process: Proposed Changes (Overview)

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Designed to improve operation of the program,



Compliance Assurance Process: Proposed Changes (Planning)

As part of the application, taxpayers will be required to provide a preliminary list of material issues for the year, and, if applicable, specified transfer pricing issue information and research credit information.

Resources devoted to CAP program will be allocated as part of annual planning.

Taxpayers to provide a representation letter within 30 days of return filing and timeframes will be implemented for IRS post-file review.



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Compliance Assurance Process: Proposed Changes (Resolution)

Issue Resolution Strategies:

Certain transfer pricing issues may be required to be resolved via the Advance Pricing Agreement program. LB&I will establish a 90-day goal for issue resolution.

Disagreements will be sent to Appeals on a timelier basis to encourage quick resolution of issues.

Compliance Assurance Process: Proposed Changes (Maintenance)

A Compliance Maintenance phase of CAP will continue, but will be modified. As part of Compliance Maintenance, some taxpayers determined to be lowest risk may continue in the program without IRS review of a particular year.

Compliance Assurance Process: Application

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2019 Application Period Extended and will
close 11/30/2018

No New Entrants

CAP Taxpayer Participation

2018 CAP Year

- 169 Taxpayers
- 169 returning taxpayers (no new TPs accepted in 2018)
- 99 Compliance Maintenance
- 4 Pre-CAP taxpayers (not included in 169 above)



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Compliance Assurance Process: Future

In the future, CAP will be open to additional taxpayers who meet eligibility criteria and program requirements.

For future years, taxpayers will be required to provide certification of a tax control framework.

Consistent with LB&I's strategic vision, LB&I is considering whether issue-based resolutions may be appropriate as the program is expanded.

Modifications will be made as appropriate.



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Data Science Applications in Compliance

Initial efforts adopted an iterative Data Science model and demonstrated proof of concepts of our ability to identify compliance risk

Continuing to build out and perfect these efforts

Broadening our approach and initiating other opportunities to use/develop additional tools with internal and external research partners

ASC 730 R&D Directive

Reference Materials

ASC 730 R&D Directive

[Activities under I.R.C §41 for Taxpayers that Expense Research and Development Costs on their Financial Statements pursuant to ASC 730](#)

ASC 730 R&D Directive—FAQs

[Frequently Asked Questions \(FAQs\)](#)

Practice Units

[ASC 730 Directive - Computing Qualified Research Expenses](#)

[ASC 730 Research and Development - How It Relates to IRC 41 and 174](#)

R&D Directive – 1-Year Later

- Reasons for the Safe Harbor
- Feedback received by the IRS
- Feedback from the Panel and Audience

Effect of TCJA on Controversy: What's changed?

The Tax Cuts and Jobs Act (TCJA) affects several areas applicable to business taxpayers:

Income (including Gains and Losses)

Deductions and Depreciation

Credits

International provisions

Taxes

Accounting Method Changes

Opportunity Zones



Effect of TCJA on Controversy: Section 965 – What do I need to know?

Taxpayers should be aware of their income tax obligations under Section 965.

Section 965 applies to the last taxable year of specified foreign corporations beginning after December 31, 2017, and the tax is includible in the U.S. shareholder's tax year in which or with which the specified foreign corporation's year ends.

See proposed regulations and [IRS.gov](https://www.irs.gov) for guidance on computations.



Effect of TCJA on Controversy: Section 965 – What do I need to know?

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For 2017, U.S. shareholders of one or more CFCs or other specified foreign corporations must take the following actions (among other provisions):

Decide if you held an interest in one or more specified foreign corporations whose tax year ends with or within your 2017 taxable year.

Figure the amount, if any, of previously untaxed earnings and profits to include in income on your 2017 tax return.

Pay the tax per the election. See IRC Section 965(h).

Effect of TCJA on Controversy: Section 965 – What do I need to know?

Failure to properly follow the reporting and payment obligations could result in the imposition of interest and/or the assertion of tax penalties.

Keep adequate records to support the calculation of tax per Section 965.

The IRS plans to monitor compliance with the provisions of Section 965. Follow-up inquiries may occur if the IRS determines that the required filings and/or payments are not made.

Check IRS.gov for news and updates

Tax Cuts and Jobs Act: Public Service Announcement (PSA)

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Tax Cuts and Jobs Act : Public Service Announcement (PSA)

Any of these far-reaching changes could have a big effect on the tax refund or balance due on the tax return taxpayers file next year.

That's why the IRS encourages every individual taxpayer to do a "paycheck checkup" soon to check that they're having the right amount of tax taken out of their pay.

The IRS [Withholding Calculator](#)



Withholding Calculator



- Updated to reflect changes to withholding tables
- Recommended for a quick "paycheck checkup"
- More important this year due to tax law changes
- Helps taxpayers check if they're having the right amount of tax withheld from their paychecks
- Use updated *Form W-4 Employee's Withholding Allowance Certificate* if changes to withholding are needed



Fast Track Settlement Program

Joint LB&I Division/Appeals program offers a customer-driven approach to resolving tax disputes at the earliest possible stage in the examination process.

This program is designed to:

- Provide an independent Appeals review of the dispute in an environment where all parties to the dispute have a "voice" in the dispute resolution process,
- Utilize the mediation skills and delegated settlement authority of Appeals, and
- Reduce the length of a taxpayer's overall IRS experience.

Applying for Fast Track Settlement is quick and easy - simply complete a one-page application.



Fast Track Settlement Program

FY18 through June:

- 51 Fast Track cases accepted
- 46 Fast Track cases resolved
- 16 Fast Track cases in-process
- 2 Fast Track cases withdrawals

FY17:

- 38 Fast Track cases accepted
- 35 Fast Track cases resolved
- 17 Fast Track cases in-process

Note: Fast Track cases can cross fiscal years in terms of when they are accepted and resolved. For example, a case accepted into Fast Track in one FY may not get resolved until the next FY.

Questions

