





## Current State of LB&I

FY23 looks to be a time of great excitement and anticipation

FY23 starts with legislation that increases IRS funding

Good stewardship of the increased funding provided by the Inflation Reduction Act

Recent progress in the IRS' plan to change its structure

Committed to being active and collaborative towards goal to organize compliance under unified compliance unit

Address and mitigate potential risks to us achieving our objectives



## Current State of LB&I (Con'd)

Closing enforcement gaps especially in the areas of pass-through entities and high wealth individuals

Planned efforts are all under the umbrella of just two strategic goals.

While the first of our strategic goals is about what we can do, the second is about who we can be. This year, we expect our numbers in LB&I to grow.

Integrate EDI principles directly into the goals



**LB&I Strategic Goal - Meet our tax administration responsibilities effectively**





## Meet our tax administration responsibilities effectively (con'd)

### **LB&I Strategic Goal - Meet our tax administration responsibilities effectively**

Increase our work in the areas of pass-throughs and high income/high wealth to reduce the tax gap and effect greater fairness across all taxpayer groups

Consider potential issue resolution options for taxpayers

Further address key compliance issues/emerging issues

Continue efforts to be a paperless/digital organization



## Support current and future LB&I Employees

### **LB&I Strategic Goal - Support current and future LB&I employees by pursuing sustainable, consistent workplace improvements that incorporate the future of work**

Support a hiring and onboarding strategy to increase enforcement personnel to address high priority areas

Define and adopt a modern workplace environment that supports employee flexibility while effectively meeting the needs of tax administration

Build intentional, meaningful employee engagement opportunities

## Support current and future LB&I Employees (con'd)

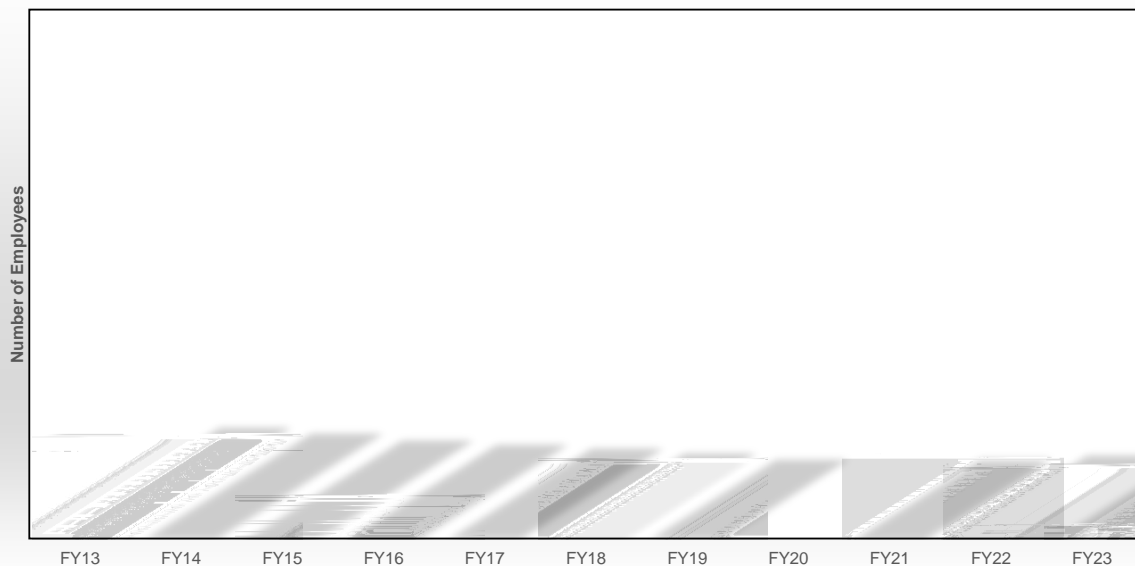
**LB&I Strategic Goal - Support current and future LB&I employees by pursuing sustainable, consistent workplace improvements that incorporate the future of work**

Support employees through continued work and Servicewide collaboration on hiring, training, career, and personal development

Foster a transparent, diverse, and inclusive culture where employees are both comfortable raising issues and confident that those issues will be addressed

## LB&I Staffing Over the Years

Total On-Rolls at Start of Fiscal Year



# LB&I Hiring FY22

### Final # Added to Rolls

LB&I	311
WCPA	33

### All Job Classifications

- Revenue Agents – including CAS, international, transfer pricing, and financial products
- Engineers
- Economists
- Appraisers
- Tax Law Specialists



## Taxpayer First Act and Inflation Reduction Act

Over the last ten years, IRS' budgets have decreased or remained flat despite increasing demands on the agency. As a result, IRS personnel has dramatically reduced through attrition and hiring freezes, which has constrained the agency mission and business results.

In January 2021, pursuant to the [Taxpayer First Act](#)



## **Compliance Transformation:**

Underpayments by tax evaders shift the burden of operating our great country onto honest, hard-working Americans who follow the law

Treasury directive that audit rates not rise relative to recent



## Inflation Reduction Act

### Human Capital Transformation:

We will pursue a thoughtful, measured increase to our personnel

IRS has one of the oldest workforces in government, and we're losing about 10,000 employees a year

Current IRS staffing is far below historical norms

We will build and expand off recent successes by IRS employees. Since the pandemic began, IRS employees successfully delivered 500 million payments worth over \$1.5 trillion to people across the nation through tax refunds and by impleByh ton thr>j7eq>M9TDes 1 Tf 0 Tm [196Tf 0d (-) <





## **IT Transformation:**

### **Compliance Issues**

**R&E Credit Claims**

**Virtual Currency Campaign**

**Large Partnership Compliance**

**965/TCJA**

**Revenue Procedure 94-69**

## Background

- Fact-, time-, resource-intensive issue
- Stakeholder feedback

## Research issues initiatives

- Research risk review team
- Centralized risk review
- Compliance assurance process (CAP)
- Research issue campaign
- ASC 730 Directive updates
- Research credit claims

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## Research Credit Initiative Benefits for taxpayers and IRS

## Clarification

Opportunities to deselect inventory resulting in identifying the right work for field examination (IRS)

Expected reduction in claims examinations



## Research Credit Summary

First, the IRS issued a [press release](#) in October 2021 and provided a grace period for feedback/comments. Most recently, the Service issued an [Interim Guidance Memorandum](#) outlining expectations for field examiners.

Second, there is a transition period where taxpayers will be provided 45 days to cure a claim that is defective.

Recently extended to January 10, 2024

Third, the IRS continues to maintain a dedicated mailbox to receive taxpayer and stakeholder feedback/comments:

[irs.feedback.recredit.claims@irs.gov](mailto:irs.feedback.recredit.claims@irs.gov)

Fourth, the IRS maintains a list of [Frequently Asked Questions](#) from feedback/comments from the dedicated mailbox.



## Virtual Currency Campaign

IRS recognizes that how people transact in the digital economy has changed

Resulted in an increasing the potential for fraud and abuse and steps need to be taken to address the tax gap

Noncompliance related to the use of virtual currency addressed through multiple treatment streams including outreach and examinations

Beyond this campaign, the IRS steadfastly remains committed and equipped to implement changes to







## Large Partnership Compliance Examinations

LPC examinations will be conducted using existing examination processes and procedures including:

- LB&I Geographic Practice Areas will conduct exams
- Pass-Through Entities Practice Area (PTE) provide coordination, training, and support

- Other Practice Areas provide specific issue support

- LB&I's examination procedures (LEP) used

- BBA procedures including deficiency procedures if those are applicable

- Exam team structure like LCC

LPC Examinations are underway



## Cross Border Activities (CBA) Priorities

### CBA Current Priorities

- TCJA Compliance

- IRC sec. 965

- TCJA Regulation Validity Challenges



## Tax Cuts and Jobs Act (TCJA)

Majority of Work

Training

Knowledge Network

Cadres

\*New\* Foreign Tax Credit Regulation

IRC 965(h) account issues



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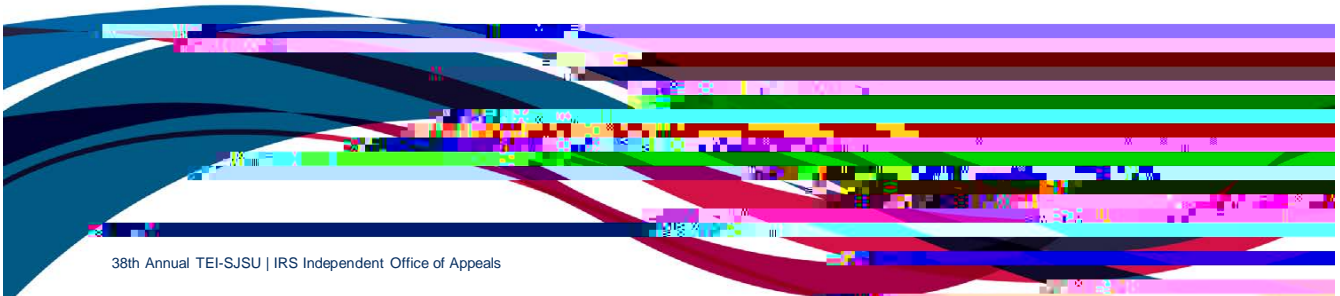






# Independent Office of Appeals

November 8, 2022





Appeals is Hiring



**Key points about FTS include the following:**

**FTS program is jointly administered by the LB&I Division and the Office of Appeals**

**FTS provides an opportunity to resolve their disputes with an Appeals Official using mediation skills and settlement authority**

**FTS enables taxpayers and the IRS to work together to resolve outstanding issues while the case remains in LB&I jurisdiction**

**Generally completed in 120 days**



## **Fast Track Settlement Program (FTS)**

### **FY22 through July:**

- 30 Fast Track cases resolved
- 31 Fast Track cases accepted
- 10 Fast Track cases in-process
- 0 Fast Track withdrawals
- 23 Fast Track cases agreed



LB&I employees can effectively work remotely

LB&I employees were committed, flexible, and overcame challenges

Movement towards paperless processes

Able to successfully onboard employees remotely, including Pathways



## CARES Act Highlights

Forms 1139 entering exam workstream

Joint Committee review process

Anticipate increase in filings of preliminary returns followed by subsequent filing of a superseding return

TCJA limitation for 163(j) was primarily based on 30% of Adjusted Taxable Income (ATI). The CARES act modified ATI limit to 50% instead of 30% for taxable years beginning 2019 and 2020

Corrected the QIP recovery to a 15-year recovery property under IRC §168(e)(3)(E) and 20 years under IRC §168(g)(3) retroactive to the date of the original TCJA provision, Dec. 31, 2017