

August 8, 2016

THE
NATIONAL LAW REVIEW

New Articles

August 08, 2016

Article By

[Robin L. Greenhouse](#)

[Chelsea E. Hess](#)

[Kevin Spencer](#)

[Will & Emery](#)

[Tax Controversy 360](#)

McDermott
Will & Emery

IRS Wages New Audits 'Campaigns' Against Taxpayers

Wednesday, June 29, 2016

Late last year, the Internal Revenue Service's (IRS's) Large Business and International (LB&I) division announced that it would restructure its organization. The restructuring was precipitated by shrinking resources and a shifting environment. A primary feature of the restructuring is the end of the continuous audit program (where the IRS audits a large taxpayer year after year for decades) and a move to an issue focused, coordinated attack—to wit, **the new IRS "Campaign" methodology**. Although this program is clearly in its infancy, practitioners are starting to see how the IRS is implementing their latest project.

In essence, IRS campaigns are a centralized risk identification strategy. The IRS has leveraged its knowledge throughout its system, identified the most serious tax issues and allocated its resources to those issues. The emphasis then, is off specific taxpayers and on to specific tax issues.

As part of the restructuring, LB&I has reorganized into nine "practice areas," five of which are named subject areas (pass-through entities, enterprise activities, cross-border activities, withholding and international individual compliance, and treaty and transfer pricing operations) and four grouped by geography. A practice area is a group of employees organized to focus on one or more areas of expertise.

So far, the IRS has announced three campaigns focused on inbound distributions, basket options and captive insurance. This, however, is just the beginning. We expect that the IRS will

be implementing numerous additional campaigns as the program kicks into high gear. So what do campaigns and the end of continuous audits mean for the largest taxpayers?

We anticipate that on the selected issues, the IRS will concentrate its resources and take well-entrenched positions. Expect wave-after-wave of standard Information Document Requests (IDRs). Expect the participation of issue specialists. Expect intractable positions. Recently, our experiences with examinations and appeals of matters involving Internal Revenue Code Section 199 (domestic production deduction) and captive insurance may have foretold this New World Order. In those cases, the IRS took a “national position” communicated by “issue specialists” that controlled the audit. Appeals officers may have felt unable to deviate from the one-voice mentality.

About this Author



[Robin L. Greenhouse](#)

Partner

Robin L. Greenhouse is a partner in the law firm of McDermott Will & Emery LLP and is based in the Firm’s Washington, D.C., office. Robin represents clients in resolving complex federal tax controversies with the IRS at audit or appeals, and in tax litigation in the U.S. Tax Court, the U.S. Court of Federal Claims and the U.S. District Courts. She has litigated federal tax cases involving numerous issues, including: foreign tax credits, allocation of expenses between domestic and foreign source income, section 1341 claim of right, calculation...

rgreenhouse@mwe.com

202-756-8204

www.mwe.com

[Chelsea E. Hess](#)

Associate

Chelsea E. Hess is an associate in the law firm of McDermott Will & Emery LLP and is based in the Firm’s New York office. She focuses her practice on tax matters.

Chelsea received her J.D. from the New York University School of Law. She received her B.A. (magna cum laude) from the University of Pennsylvania.

Chelsea is admitted to practice in New York.

chess@mwe.com

212-547-5863

www.mwe.com

www.mwe.com/info/news/blogs.html

[Kevin Spencer](#)



Partner

Kevin Spencer is a partner in the law firm of McDermott Will & Emery LLP and is based in the Firm's Washington, D.C., office. He focuses his practice on tax controversy and litigation issues.

kspencer@mwe.com

202-756-8203

www.mwe.com