

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 & 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:

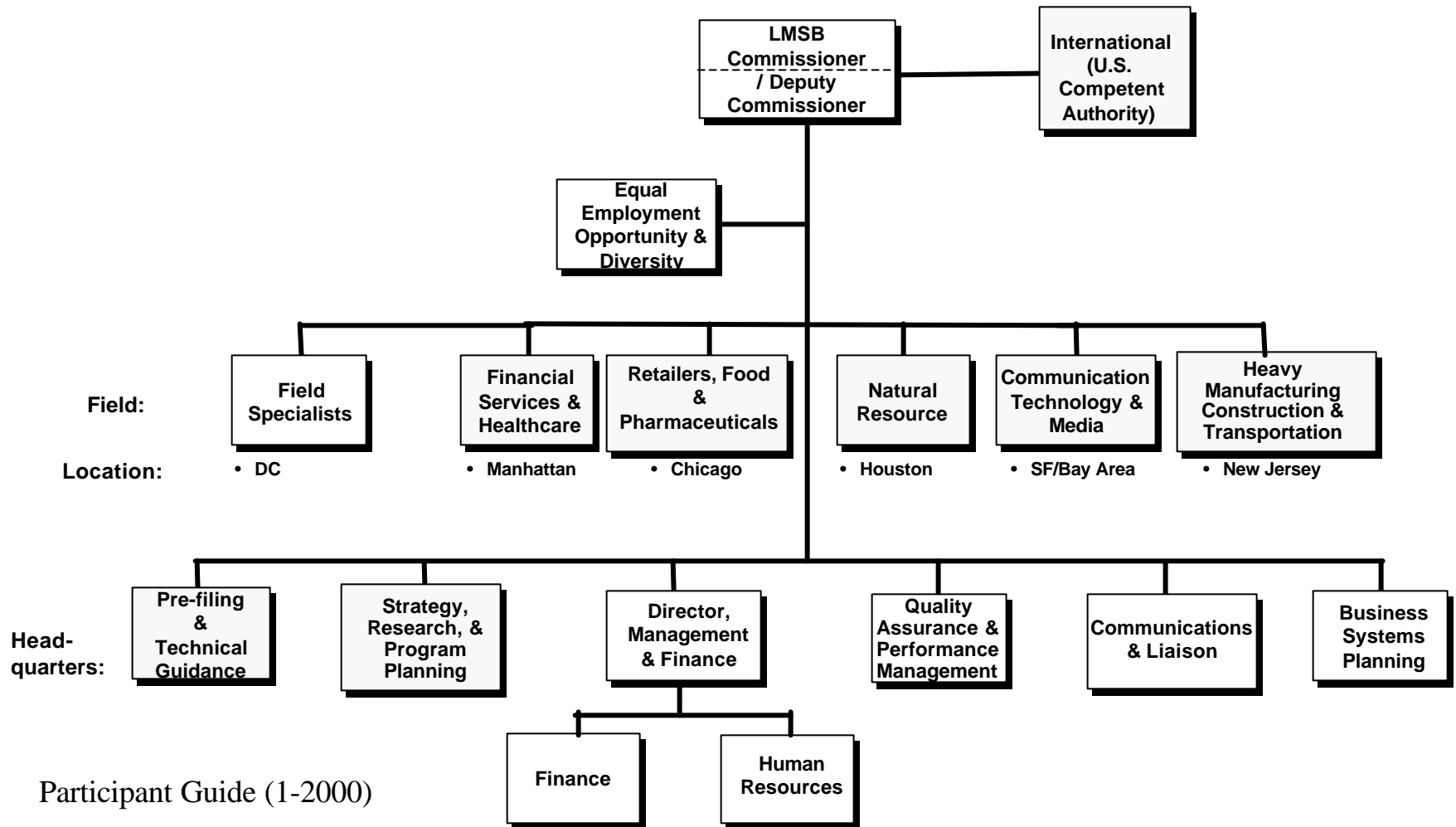
Large & Mid-Size Business Operating Division

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

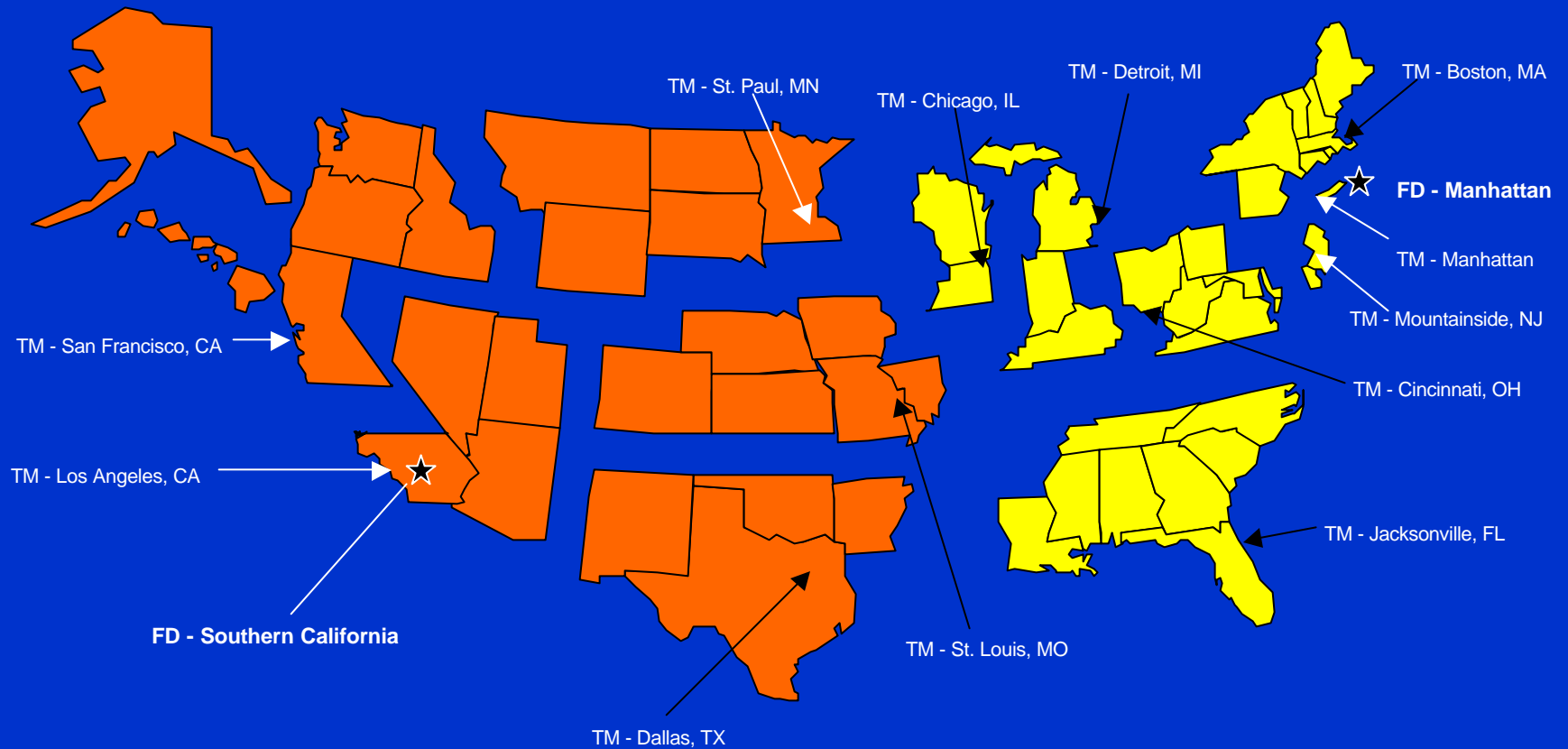
<p>1. More consistent, timely and direct responses from accountable industry managers through the LMSB Organizational Design</p>	<ul style="list-style-type: none"> • Managers and executives more directly involved in customer service and compliance activities • Industry managers are decision makers, as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

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



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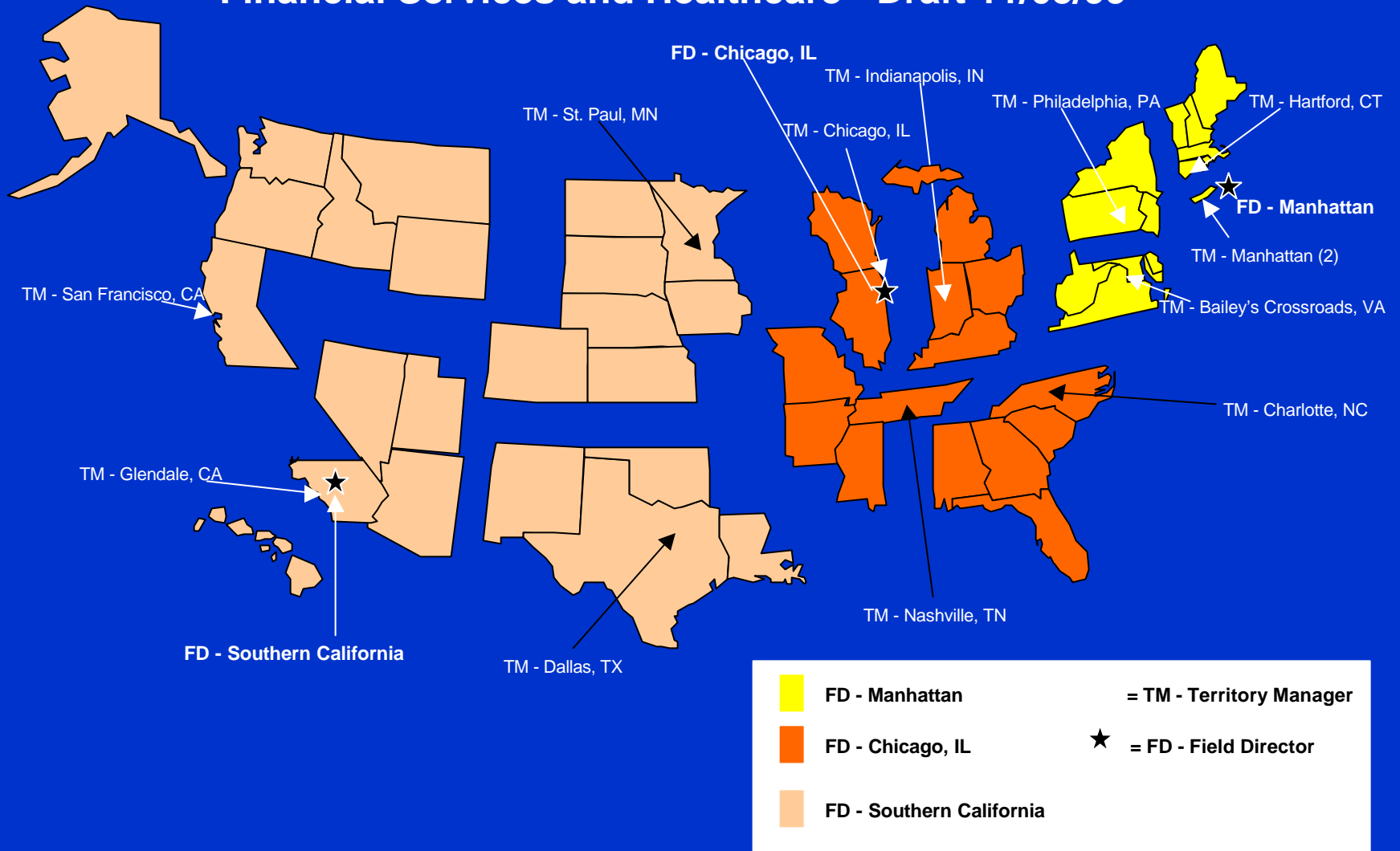
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- Orange square = FD - Southern California
- Star symbol (★) = FD - Field Director
- Arrow symbol (→) = TM - Territory Manager

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

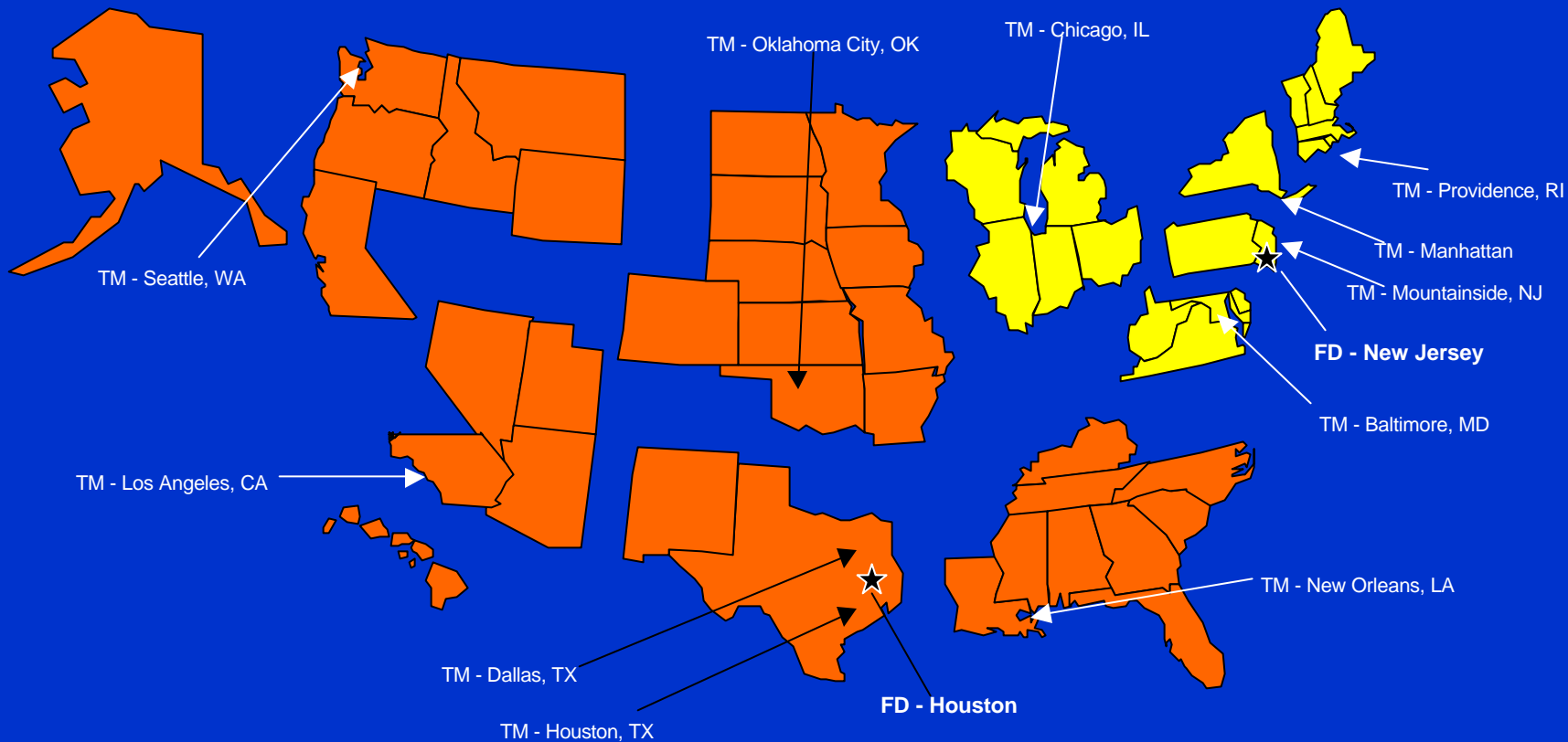






NATURAL RESOURCES

- 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



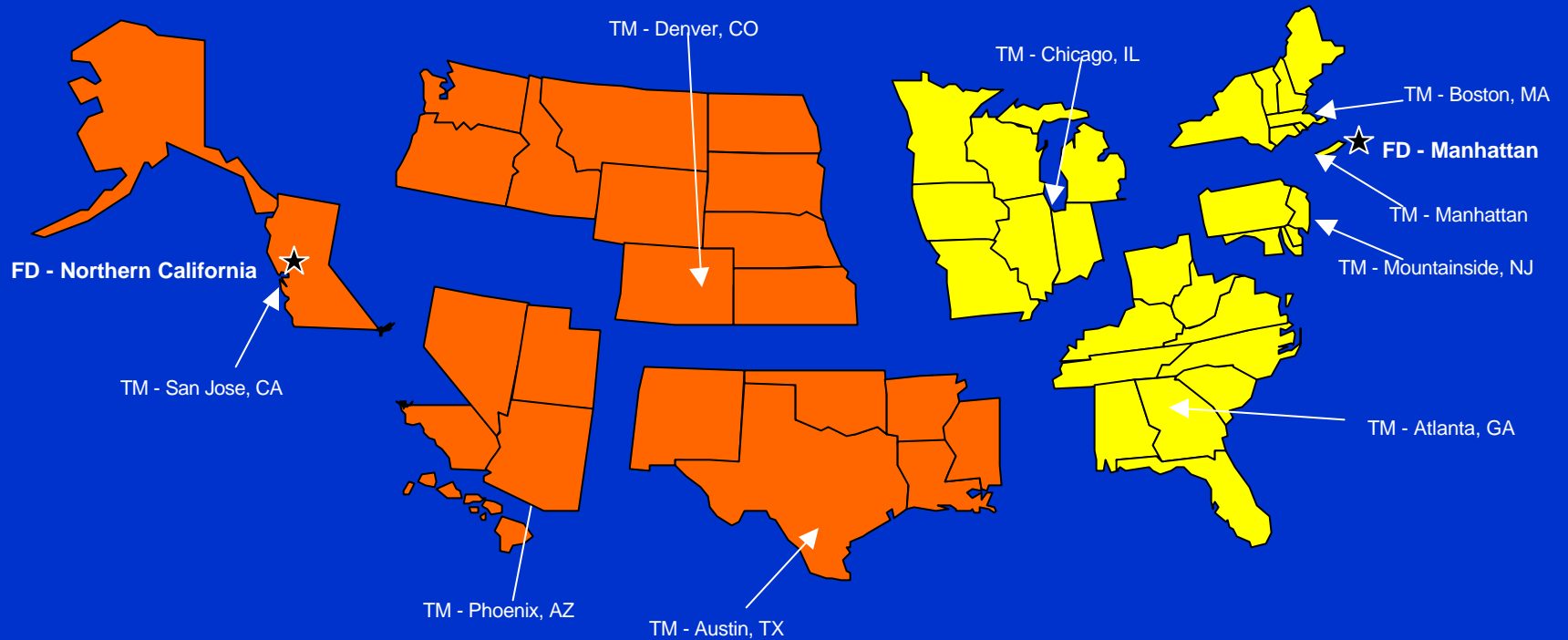
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	FD - Houston		FD - Field Director

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



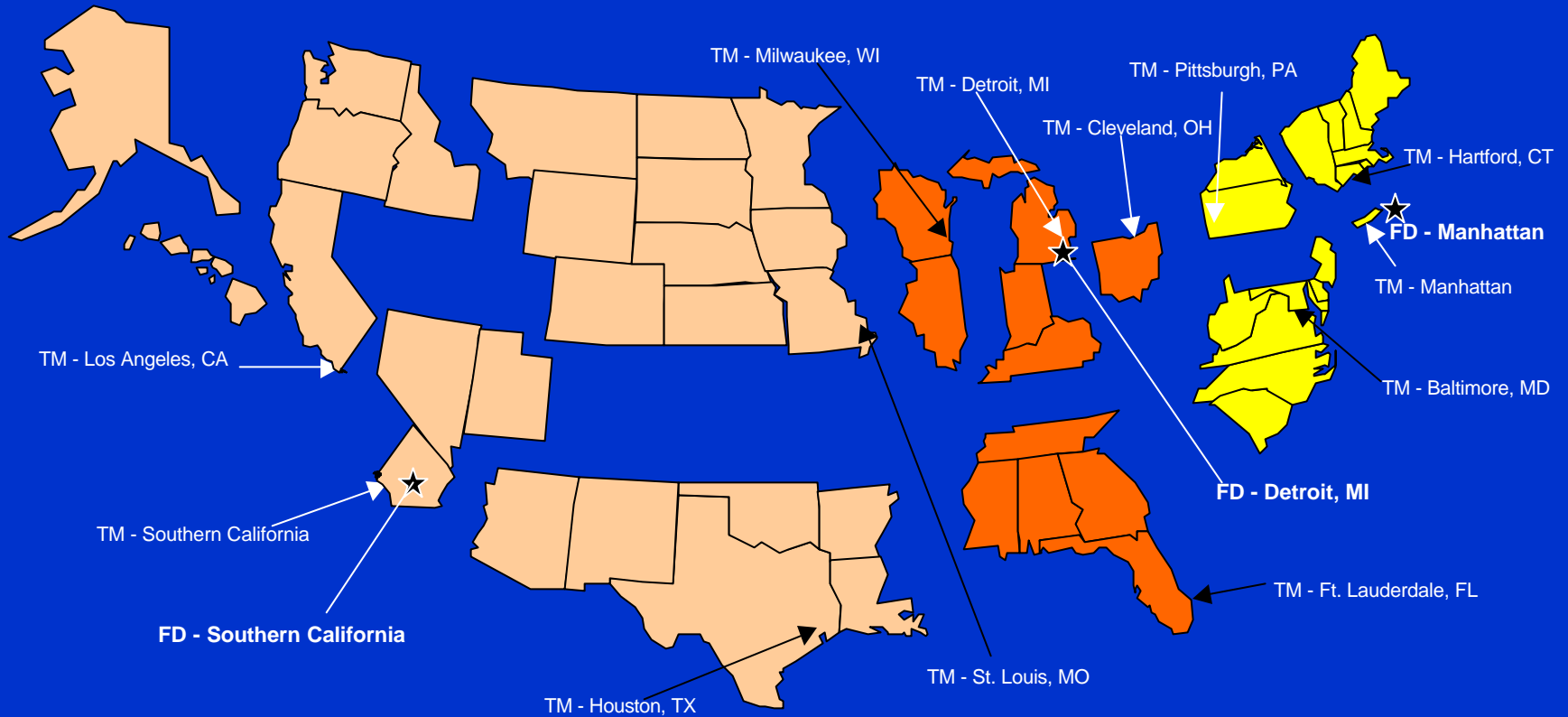
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|  | FD - Northern California |  | = FD - Field Director |

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