

Session Objective

IRS will provide a brief overview of the new Small Business/Self-Employed Operating Division, profile market segments, describe customized small business assistance, and discuss risk-based compliance initiatives. Three small business assistance scenarios will be discussed.

Moderator and Panelists

Moderator:

David A. Lifson, Hays & Co., New York, NY; and Chair, Tax Executive Committee, AICPA

Panelists:

<i>Marianna Dyson</i>	<i>Counsel, Tax Department , Weil, Gotshal & Manges LLP</i>
<i>Joe Marchbein</i>	<i>Director of Tax Administration, Rubin, Brown, Gornstein & Co., LLP</i>
<i>Joseph Kehoe</i>	<i>Commissioner Designee, Small Business/Self Employed Division, Internal Revenue Service</i>
<i>Jerry Songy</i>	<i>Executive Director, Modernization Design Internal Revenue Service</i>
<i>Thomas Hull</i>	<i>National Director of Specialty Taxes, Internal Revenue Service</i>

Discussion Points

- The Small Business/Self-Employed Division will be organized to serve approximately 45 million individuals and businesses that report business related transactions. These include those individuals who file form 2106 for unreimbursed travel and entertainment expense, Schedule C filers for profit or loss from a business, Schedule F filers who report farm related profits and losses, Schedule E filers who report rents, royalties, and flow-through transactions from investments in businesses, as well as Corporations and Partnerships with assets under \$5 million.

- The division will be aligned to serve these customers through three potential interactions:
 - First, the pre-filing phase, where taxpayers need assistance, education, and forms to prepare their return.
 - Secondly, the filing phase, where the taxpayer submits their return for processing, and the Service provides account information, refunds, and assessments to the final tax liability.
 - Lastly, the post-filing phase, which we typically think of as our exam and collection processes that deal with taxpayer compliance.
- Pre-Filing for Small Business-Taxpayer Education and Communication (TEC)
 - TEC's Research and Product Development
 - TEC's Partnership Outreach
 - TEC's Taxpayer Education
- The filing function of SB, known as Customer Account Services (CAS) will focus on both timely processing of the returns, as well as identification of systemic errors by SB taxpayers, so that we can recommend improvements to the filing process. System changes will also be considered for electronic filing of business returns and more real-time information to resolve taxpayer account issues.
- Post-filing for the SB taxpayer, known as Compliance, will see changes as well. While most practitioners will continue to see the examination and collection work continue at the local level, a new management structure will provide a clearer process to resolve disputes in a timely manner. Instead of the layers that exist in today's exam and collection management structure, streamlined cross-functional territory managers will address the end-to-end accountability for determinations that involve exam and collection issues. Improved insolvency processes are envisioned, as well as more consistency across the nation.

- At the SB headquarters, the strategic planning process will be expanded to involve the inputs from practitioners, state/local agencies, appeals, counsel, and the taxpayer advocate. This process will provide the mechanisms for TEC, CAS, and Compliance to change to meet the taxpayers' interests and adapt new policies to provide the levels of service the taxpayers demand.

Modernization Update

The New IRS Stands UP

Meet the New IRS:

Small Business/Self-employed Operating Division

SB/SE At-a-Glance

Mission: To effectively meet the needs of the most diverse group of taxpayers and to help them comply; to help them solve their compliance issues, while ensuring overall fairness to all taxpayers.

Headquarters: New Carrollton, MD

Management Team: Joseph Kehoe, Commissioner

Area HQ Offices: Baltimore, MD; Dallas, TX; Jacksonville, FL; Nashville, TN; Seattle, WA; Boston, MA; Denver, CO; Laguna Niguel, CA; Philadelphia, PA; St. Paul, MN; Chicago, IL; Detroit, MI; Manhattan, NY; San Francisco Bay Area, CA; Washington, DC; International area office in Puerto Rico.

Field Offices throughout the nation

Taxpayer Profile:

- Approximately 45 million taxpayers
- About 33 million full or partially self-employed
- About 7 million small businesses with assets of \$5 million or less
- Have some of the most complex issues due to tax law requirements and the number of forms and schedules required.
- Have 4 – 60 routine transactions with the IRS per year

The New IRS
Small Business/Self-employed Operating Division

The SB/SE operating division will serve this taxpayer segment through three organizations:

- Taxpayer Education and Communication (TEC) — TEC is a customer-focused organization that routinely will solicit information from taxpayers and external stakeholders concerning the needs and characteristics of its customers. TEC will implement its programs based on that feedback mechanism and will continuously research and analyze taxpayer trends to ensure that products and services are tailored to meet the needs of SB/SE taxpayers. TEC also will partner with other government agencies, state, and local entities to provide one-stop assistance.
- Customer Account Services (CAS) — this office will assist taxpayers in submitting accurate, timely tax returns and remitting the proper amount of tax. The focus will be on processing returns timely and accurately, assisting taxpayers with account specific questions, and adjusting accounts when necessary.
- Compliance — this office will focus on problem prevention and early intervention to increase overall compliance and fairness by providing educational guidance and outreach programs focusing on small business needs and trends particularly for start-ups. A key element of the new approach is the implementation of a “risk based compliance” system that puts resources on the taxpayers case at the appropriate time.

The Small Business/Self-Employed Operating Division will serve both of the following types of taxpayers:

- Individuals filing Schedules C, E, F, or Form 2106.
- All other businesses with assets under \$5 million.

The New IRS
Small Business/Self-employed Operating Division

Comparison of Small Business/Self-Employed (SB/SE) customers to Large and Mid-Size Business customers (LMSB):	
SB/SE:	LMSB:
<ul style="list-style-type: none"> • Small businesses (part-time, start-ups) • Small businesses without employee (service providers, contractors) • Small businesses with employees • Taxpayers with rental properties • Taxpayers with farming businesses • Individuals investing in businesses (partnerships, S-Corps) • Corporations, S-Corporations, & Partnerships with assets under \$5M 	<ul style="list-style-type: none"> -All 1120 and 1120-S corporations and 1065 partnerships with assets over \$5M.
Approximately 45 million customers	Approximately 210,000 customers

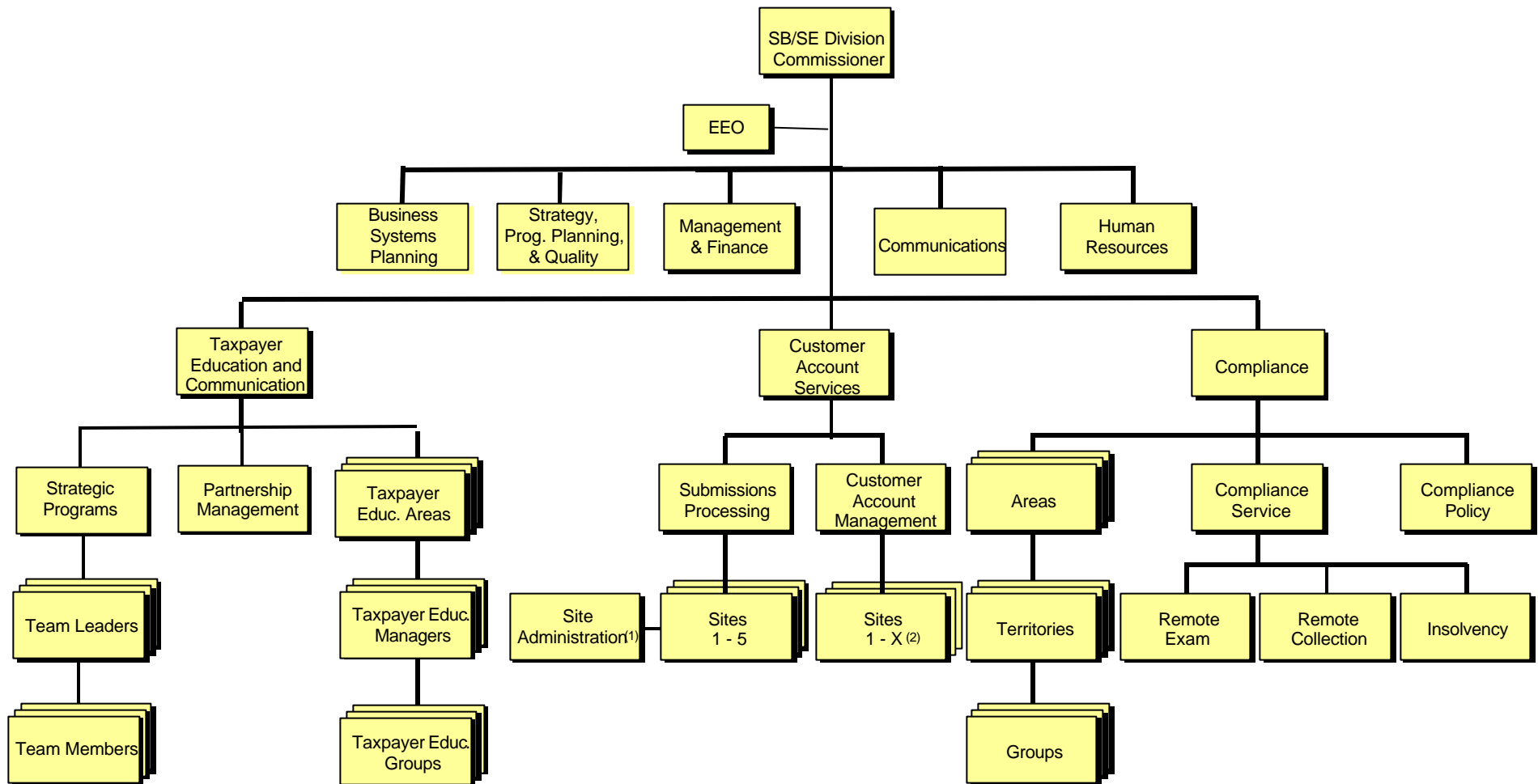
Special situations:

Some businesses may meet the under \$5 million asset test for SB/SE yet be more like a large or midsize business in every other way. These businesses may need the technical expertise of an international examiner, engineer, or appraiser. In these situations, the business may be serviced by the Large and Midsize Business Division.

Other businesses may have assets over \$5 million yet be more like a small business. These customers may be serviced by the Small Business/Self-Employed Operating Division.

Over time, IRS expects to develop a comprehensive set of criteria to ensure that the servicing of particular businesses reflects the technical merits of the tax return and the best interests of the business taxpayer.

SB/SE Organization Structure



Note: ⁽¹⁾Site Administrator can report to any manager located at service center
⁽²⁾Customer Account Management sites TBD due to phone center dedication issues

In order to deliver higher quality customer service initiatives, the IRS intends to partner with external stakeholder groups.

Potential SB/SE partners:

Government Agencies	Educational, Institutions, Community and Volunteer Organizations	Small Business Organizations	Professional, Service and Trade Organizations	Practitioner and Payroll Organizations
<ul style="list-style-type: none"> • Small Business Administration (SBA) • Small Business Development Center (SBDC) • Business Information Center (BIC) • Service Core of Retired Executives (SCORE) • Women's Business Center (WBC) • Social Security Administration • Department of Labor • Department of Commerce • Immigration and Naturalization Service • Census Bureau • Bureau of Labor Statistics 	<ul style="list-style-type: none"> • Colleges and universities • Technical and trade schools • Local community and school groups 	<ul style="list-style-type: none"> • National Federation of Independent Contractors • National Association for the Self-Employed • National Federation of Independent Businesses (NFIB) • American Subcontractor Association • National Small Business United • Small Business Council of America • Small Business Legislative Council • Small Business Innovation Research (SBIR) 	<ul style="list-style-type: none"> • American Bankers' Association • National Association of Women business Owners • National Council of Chain Restaurants • National Restaurant Association • Council for Electronic Revenue Communication Advancement • Information Technology Association of America • American Trucking Association • American Farm Bureau Association • American Association of Retired Persons • Chambers of Commerce • National Association of Nonprofit Organizations 	<ul style="list-style-type: none"> • National Association of Enrolled Agents • American Association of Attorney-Certified Public Accountants • American Institute of Certified Public Accountants Tax Division • American Bar Association Section of Taxation • National Association of Tax practitioners • National Conference of CPA Practitioners • National Society of Accountants • American Society of Payroll Management • American Payroll Association (APA) • National Society of Tax Professionals