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The IRS Targets Thirteen Issues in Its New Compliance Campaigns

On Tuesday, January 31, the IRS announced the rollout of thirteen initial compliance campaigns that will be undertaken by its Large Business and International Division (“LB&I”). These campaigns are part of a broader IRS effort to reorganize and reorient LB&I to focus on high-risk issues in order to more efficiently address non-compliance in an era of smaller IRS budgets and greater IRS responsibilities. The first phase in this effort included dividing LB&I into nine new practice areas, including four geographic areas and five issue-based groups in the fall of 2015. The IRS stressed that the next phase, which includes the thirteen initial compliance campaigns, will not only involve audits, but also efforts to increase voluntary compliance, including the issuance of new guidance, forms, instructions, and training materials, as well as outreach to taxpayers with particular issues on their returns.

Among the subjects of the newly announced campaigns are:

1. *Repatriation.* The IRS noted that LB&I is aware of different structures used for tax-free repatriation of funds into the U.S. in the mid-market population, it believes that many taxpayers do not properly report repatriations as taxable events on filed returns, and that LB&I intends to improve issue selection filters while also conducting examinations on identified, high-risk repatriation issues.
2. *Related party transactions.* LB&I will focus on transactions where taxpayers transfer funds from a corporation to related pass-through entities or shareholders, and it will allocate resources to determine the level of compliance in such related party transactions of taxpayers in the mid-market segment.
3. *TEFRA partnership examination.* LB&I plans to develop new procedures and technology to work together with revenue agents conducting TEFRA partnership examinations to identify, link, and assess tax on “terminal” investors (i.e., actual taxpayers) that pose the most significant compliance risks.

The subjects of the other campaigns include the following: micro-captive insurance; inbound distributors; the domestic production activities deduction; basket transactions; S corporation losses claimed in excess of basis; section 48C energy credits; Form 1120-F (U.S. Income Tax Return of a Foreign Corporation) non-filers; use of the completed contract method (CCM) of accounting by large land developers; taxpayers that were declined or withdrew from the offshore voluntary disclosure program; and insurance tax reserves. The IRS noted that more campaigns are expected to be identified, approved and launched in the coming months.

If you have any questions regarding these campaigns, please contact your regular Ropes & Gray [tax](#) advisor or a member of Ropes & Gray’s [tax controversy](#) practice.