

IRS Oversight Board

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IRS International Tax Administration Highlights Oversight Board Meeting

(Washington, DC) The IRS Oversight Board discussed the IRS' approach to globalization and its impact on tax administration at its December 2-3, 2008 meeting in Washington, DC.

New structures for international business, changing foreign markets, greater mobility of individuals, businesses and assets, outsourcing, and global competition for high skill workers are all creating new challenges in tax administration. From 1993 to 2004, foreign profits of U.S. corporations increased by 235% while domestic profits of U.S. companies decreased during the same period. As economic activities grow overseas, tax administration efforts must follow.

In response, the IRS created the International Planning and Operations Council (IPOC) to ensure accountability and drive Service-wide international initiatives. The IPOC is made up of representatives of the IRS business divisions, the Office of Counsel, the Criminal Investigation division, and Appeals. The effort is designed to create consistent, Service-wide approaches throughout the Agency, and to focus resources effectively to address high risk issues.

"Businesses, individuals and assets have gone global," said Board Chairman Paul Cherecwich. "Our tax administration system must take on new roles and responsibilities to meet this trend. Some of these issues, such as transfer pricing, are extremely complex and demand specific skills. Others require updating existing systems. Some demand policy solutions. For that reason, the IRS must take a holistic approach to this challenge. The Board is pleased that the IRS is ensuring that its international efforts are not limited to a single office or specific team. Rather, it will take an agency-wide approach to global tax administration."

Briefing on Upcoming Filing Season

In other news, the Board was briefed on preparations for the FY2009 filing season. Efforts are going well to recruit, hire and train submission processors and other workers needed during the filing season. Forms and publications have been updated. Outreach and educational efforts are in place, including projections that there will be 79,000 volunteers at 12,000 sites nationwide to help taxpayers through the Volunteer Income Tax Assistance program.

Unfortunately, this filing season more taxpayers than previous years may need to deal with the tax implications of foreclosures and debt forgiveness. In some cases, when a house is foreclosed and the homeowner's debt is forgiven by a bank, the debt is viewed as income and may be taxable. The IRS told the Board it is revising forms and publications, and training representatives at tax assistance and VITA centers to educate taxpayers on reporting forgiveness of indebtedness income correctly.

"The Board intends to follow this situation very carefully during the tax season," said Chairman Cherecwich. "It is important that the IRS be well prepared to educate taxpayers and tax professionals about their rights and responsibilities in the wake of a foreclosure or debt forgiveness."

The Board was also briefed on IRS' experiences with the Economic Stimulus Payment program and lessons learned during the administration of this program that would benefit similar programs in the future.

Electronic Tax Administration Update

The Board also was briefed on the status of electronic filing and the efforts of IRS' Electronic Tax Administration office. Improvements in the Free File program were discussed, including boosting awareness of the program, increasing e-file acceptance rates, and plans to improve accessibility to e-filing. The ETA office has completed its first phase of a study on advancing e-filing. A second phase will be completed next year that will make identify clear choices that can be made to increase e-filing by individual taxpayers.

The Board's next meeting will be held in Washington, DC on February 17-18, 2009.

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