

WNTS Insight

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IRS LB&I Division to realign domestic operations for greater efficiency

The Commissioner of the IRS Large Business and International Division (LB&I), Heather C. Maloy, on May 23 announced a partial realignment of LB&I domestic operations. The goal of the realignment is to make the division more agile, efficient, and consistent in its ongoing operations. The realignment is expected to take several months to complete, and to take effect on October 1, 2012, the start of the IRS's next fiscal year.

Details of the realignment

Geographic model for industries

LB&I division will realign five of its six Industries using a purely geographic model. LB&I will retain its current six-industry organizational structure, but it will realign Industries so they follow more contiguous geographic boundaries. The current LB&I Industries in most cases are aligned with non-contiguous groups of states. For example, under the realignment, the Communications, Technology, Media Industry will be aligned with 12 contiguous western states (plus Alaska and Hawaii). Financial Services will be aligned with New York State.

The realignment is intended to improve managerial efficiency and reduce costs, especially as relates to travel. After the realignment, 22 Territory Managers will report to different Directors of Field Operations (DFOs) than they do now, and 25 Team Managers will report to different Territory Managers.

Swap of sub-industries

In addition to the geographic realignment, LB&I will swap certain sub-industries between Industries. The Heavy Manufacturing & Transportation Industry will lose the transportation sub-industry and gain the pharmaceutical sub-industry. It will be



renamed Heavy Manufacturing & Pharmaceuticals (HMP).

The Retailers, Food, Pharmaceutical & Healthcare Industry, which will lose pharmaceuticals and gain the transportation sub-industry, will be renamed Retailers, Food, Transportation & Healthcare (RFTH).

The Global High Wealth Industry is unaffected by these changes.

Realignment of field specialists

The components of the current Field Specialists organization will be realigned into LB&I Industries, as follows:

- The Computer Audit Specialists will join the Retailers, Food, Transportation and Healthcare Industry, located in Chicago, and report to a new DFO.
- The Engineers will join the Natural Resources and Construction Industry, located in Houston, and report to a new DFO.
- The Financial Products Specialists will join the Financial Services Industry, located in Manhattan, and report to a new DFO.
- The Employment Tax Specialists will be realigned into the Small Business and Self Employed (SB/SE) business unit. They will join the SB/SE Specialty Programs group.

Observations: These changes are intended to help LB&I apply its resources to examination cases more strategically. In addition, aligning specialists and examination groups is intended to allow LB&I to take advantage of natural synergies between agents and specialists. It is projected that these realignments will ultimately help examination teams better manage their casework and ensure more consistent execution and resolution of their examinations.

These changes also are intended to help LB&I become more effective and responsive to the challenges it faces in ensuring the compliance of its filing population. Over the past year, LB&I has been introducing a number of Issue Practice Groups (IPGs) focused on specific, complex areas of tax administration. The IPG strategy is intended to help LB&I develop and deliver consistent, supportable guidance to tax examiners and examination teams. The IRS intends for LB&I executives, managers, and teams to continue working together across industry lines to ensure issues are identified and treated consistently on a nationwide basis.

Final observations

Though LB&I's realignment will change some reporting relationships, most of the impact of the realignment will take place at the LB&I executive level. Taxpayer examination teams and personnel will remain exactly the same as they are today. Some taxpayers may find that the revenue agents or teams examining their tax returns are reporting up through a different LB&I Industry (and territory manager and DFO) than was previously the case.

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