



LB&I active campaigns

The Campaigns listed below are currently active.

In conjunction with, or in addition to these Campaigns listed, the Large Business and International Division will address taxpayer noncompliance related to unreported income, undisclosed assets, or any other tax avoidance scheme.

Allocation of success-based fees without Rev. Proc 2011-29

Practice Area: Enterprise Activities

Lead Executive: Khin Chow, Director Field Operations, Eastern Compliance

Campaign Point of Contact: Jessica R. Samuel, Territory Manager, Eastern Compliance

Success-based fees paid in transactions under Treas. Reg. § 1.263(a)-5(a) are presumed facilitative and must be capitalized. These fees may instead be allocated to non-facilitative activities, and currently deducted, if the taxpayer meets the documentation requirements under Treas. Reg. § 1.263(a)-5(f). Rev. Proc. 2011-29 allows a safe harbor election for allocating success-based fees paid in covered transactions under Treas. Reg. § 1.263(a)-5(e)(3) without meeting the above documentation requirements so long as 70% of these fees are allocated as non-facilitative and 30% are allocated as facilitative. The goal of this campaign is to ensure taxpayer compliance with current law.

Business aircraft campaign

Related

- [Large Business and International Compliance Campaigns](#)
- [LB&I Not Currently Active Campaigns](#)

Practice Area: Eastern Compliance Practice Area (ECPA)

Lead Executive: Lavena B. Williams – Director, Eastern Compliance

Campaign Point of Contact: Emanuel James Hampton – Program Manager, Eastern Compliance

The Business Aircraft Campaign addresses compliance concerns related to business aircraft usage by large corporations, large partnerships, and high-income taxpayers. Areas of emphasis will include qualified business use, personal use, and fringe benefit inclusion. The campaign objective is to ensure tax compliance while also increasing awareness related to the business aircraft regulations and reporting requirements. The initial treatment streams for this campaign are issue-based examinations and form revisions.

Captive services provider campaign

Practice Area: Treaty and Transfer Pricing Operations

Lead Executives: Jennifer Best, Director, Treaty and Transfer Pricing Operations; and John Hughes, Director, Advanced Pricing and Mutual Agreement

The section 482 regulations and the OECD Transfer Pricing Guidelines provide rules for determining arm's length pricing for transactions between controlled entities, including transactions in which a foreign captive subsidiary performs services exclusively for the parent or other members of the multinational group. The arm's length price is determined by taking into consideration data available on companies performing functions, employing assets, and assuming risks that are comparable to those of the captive subsidiary.

Excessive pricing for these services would inappropriately shift taxable income to these foreign entities and erode the U.S. tax base. The goal of this campaign is to ensure that U.S. multinational companies are paying their captive service providers no more than arm's length prices. The treatment streams for this campaign are issue-based examinations and soft letters.

Corporate alternative minimum tax (CAMT)

Practice Area: Enterprise Activities

Lead Executive: Mark Nyman, Director of Enterprise Activities, Corporate Issues/Credits

Campaign Point of Contact: Ellen Kolpin Program Manager Enterprise Activities , Duane Kapp Program Manager Enterprise Activities

Certain large corporate taxpayers are required to comply with the alternative minimum tax rules of IRC Sections 55 and 56A of the Inflation Reduction Act of 2022, if applicable. The goal of this campaign is to promote voluntary compliance, focus resources on the highest risk corporate alternative minimum tax (CAMT) issues via a consistent and thorough risk assessment, and ensure consistent development and resolution of CAMT issues.

Costs that facilitate an IRC 355 transaction

Practice Areas: Enterprise Activities

Lead Executive: Mark Nyman

Campaign Point of Contact: Ellen Kolpin

Costs to facilitate a tax-free corporate distribution under IRC Section 355, such as a spin-off, split-off or split-up, must be capitalized and are not currently deductible. Some taxpayers may execute a corporate distribution and improperly deduct the costs that facilitated the transaction in the year the distribution was completed. The goal of this campaign is to ensure taxpayer compliance with the requirement to capitalize, not deduct, the facilitative costs when the distribution is completed. The treatment stream for this campaign is issue-based examinations.

Deferred legal fees

Practice Area: Enterprise Activities

Lead Executive: Mark Nyman, Director of Enterprise Activities, Corporate Issues/Credits

Campaign Points of Contact: Janet Martinez, Program Manager Enterprise Activities; John Stance, Program Manager Eastern Compliance

This campaign addresses the attempted deferral of contingent or court-awarded attorney fees by cash-method attorneys/law firms (taxpayers) who direct that such fees be paid to a third-party instead of the taxpayer. The taxpayers do not report the fee as income when it is paid to the third party and the required Forms 1099-MISC or 1099-NEC may not be issued at the time of payment. The taxpayer may gain access to some or all the fees by taking out a purported loan from such third party or a related party. The goal of this campaign is to ensure taxpayer compliance and consistent treatment of similarly situated taxpayers. The campaign treatment streams include issue-based examinations and educational soft letters.

Distribution in excess of partner's basis campaign

Practice Area: Pass Through Entities

Executive Lead: Maria Dolan, Acting Deputy Director, Pass-Through Exam Strategy & Promoter Program

Campaign Point of Contact: Racheal Jaeckel, Program Manager, Pass-Through Entities Practice Network

Partners that report distributions from partnerships must have adequate outside basis, as determined pursuant to IRC § 731(a), in order to receive liquidating or non-liquidating distributions not subject to gain recognition.

Expatriation of individuals

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: James M. Kwong, program manager

U.S. citizens and long-term residents (lawful permanent residents in eight out of the last 15 taxable years) who expatriated on or after June 17, 2008, may not have met their filing requirements or tax obligations. The Internal Revenue Service will address noncompliance through a variety of treatment streams, including outreach, soft letters, and examination.

FATCA filing accuracy

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: Yuen Chan, program manager

The Foreign Account Tax Compliance Act (FATCA) was enacted in 2010 as part of the HIRE Act. The overall purpose is to detect, deter and discourage offshore tax abuses through increased transparency, enhanced reporting and strong sanctions. Foreign Financial Institutions and certain Non-Financial Foreign Entities are generally required to report the foreign assets held by their U.S. account holders and substantial U.S. owners under the FATCA. This campaign addresses those entities that have FATCA reporting obligations but do not meet all their compliance responsibilities. The Service will address noncompliance through a variety of treatment streams, including termination of the FATCA status.

Financial service entities engaged in a U.S. trade or business campaign

Practice Area: Cross Border Activities

Lead Executive: Deborah Palacheck, Director, Cross Border Activities

Campaign Point of Contact: Cindy Kim, Program Manager, Cross Border Activities

This campaign addresses whether foreign investors were subject to U.S. tax on effectively connected income from lending transactions engaged in through a U.S. trade or business. In general, foreign investors who only trade stocks and securities for their own account are not engaged in

a U.S. trade or business under the safe harbor rule set forth in 26 USC 864(b)(2). The safe harbor rule, however, is not available to dealers in stocks or securities, or to entities engaged in a lending business, or to foreign investors in partnerships engaged in such activities. The treatment stream for this campaign is issue-based examinations.

FIRPTA reporting compliance for NRAs

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: James M. Kwong, program manager

FIRPTA taxes foreign persons on the disposition of their U.S. real property interests. Generally the buyer/transferee is the withholding agent and is required to withhold 15% of the amount realized on the sale, file the required forms, and remit the tax to IRS. This campaign is intended to increase FIRPTA voluntary compliance through issue based examinations and external education and outreach.

Foreign base company sales income: Manufacturing branch rules

Practice Area: Cross Border Activities

Lead Executive: Deborah Palacheck, Director, Cross Border Activities

Campaign Point of Contact: Richard Arney

In general, foreign base company sales income (FBCSI) does not include income of a controlled foreign corporation (CFC) derived in connection with the sale of personal property manufactured by such corporation. However, if a CFC manufactures property through a branch outside its country of incorporation, the manufacturing branch may be treated as a separate, wholly owned subsidiary of the CFC for purposes of computing the CFC's FBCSI, which may result in a subpart F inclusion to the U.S. shareholder(s) of the CFC.

The goal of this campaign is to identify and select for examination returns of U.S. shareholders of CFCs that may have underreported subpart F income based on certain interpretations of the manufacturing branch rules. The treatment stream for the campaign will be issue-based examinations.

Foreign earned income exclusion campaign

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: James M. Kwong, program manager

Individuals who meet certain requirements may qualify for the foreign earned income exclusion and/or the foreign housing exclusion or deduction. This campaign addresses taxpayers who have claimed these benefits but do not meet the requirements. The Internal Revenue Service will address noncompliance through a variety of treatment streams, including examination.

Forms 1042/1042-S compliance

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: David C. Oyler, program manager

Taxpayers who make payments of certain U.S.-source income to foreign persons must comply with the related withholding, deposit, and reporting requirements. This campaign addresses Withholding Agents who make such payments but do not meet all their compliance duties. The Internal Revenue Service will address noncompliance and errors through a variety of treatment streams, including examination.

Form 1120-F Chapter 3 and Chapter 4 withholding campaign

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: David C. Oyler, program manager

This campaign is designed to verify withholding at source for 1120-Fs claiming refunds. To make a claim for refund or credit to estimated tax with respect to any U.S. source income withheld under chapters 3 or 4, a foreign entity must file a Form 1120-F. Before a claim for credit (refund or credit elect) is paid, the IRS must verify that withholding agents have filed the required returns (Forms 1042, 1042-S, 8804, 8805, 8288 and 8288-A). This campaign focuses upon verification of the withholding credits before the claim for refund or credit is allowed. The campaign will address noncompliance through a variety of treatment streams including, but not limited to, examinations.

Form 1120-F Delinquent Returns campaign

Practice Area: Cross Border Activities

Lead Executive: Deborah Palacheck, Director, Cross Border Activities

Campaign Point of Contact: Cindy Kim

The objective of the Delinquent Returns Campaign is to encourage foreign entities to timely file Form 1120-F returns and address the compliance risk for delinquent 1120-F returns. This is accomplished by field examinations of compliance risk delinquent returns and external education outreach programs. The campaign addresses delinquent-filed returns, Form 1120-F U.S. Income Tax Return of a Foreign Corporation.

Form 1120-F must be filed on a timely basis and in a true and accurate manner for a foreign corporation to claim deductions and credits against its effectively connected income. For these purposes, Form 1120-F is generally considered to be timely filed if it is filed no later than 18 months after the due date of the current year's return. The filing deadline

may be waived, in situations based on the facts and circumstances, where the foreign corporation establishes to the satisfaction of the commissioner that the foreign corporation acted reasonably and in good faith in failing to file Form 1120-F per Treas. Reg. Section 1.882-4(a)(3)(ii). LB&I Industry Guidance 04-0118-007 dated 2/1/2018 established procedures to ensure waiver requests are applied in a fair, consistent and timely manner under the regulations.

Form 1120-F Interest Expense/Home Office Expense

Practice Area: Cross Border Activities

Lead Executive: Deborah Palacheck, Director, Cross Border Activities

Campaign Point of Contact: Kenneth Cantrell

This campaign addresses compliance on two of the largest deductions claimed on Form 1120-F U.S. Income Tax Return of a Foreign Corporation. Treasury Regulation Section 1.882-5 provides a formula to determine the interest expense of a foreign corporation that is allocable to their effectively connected income. The amount of interest expense deductions determined under Treasury Regulation Section 1.882-5 can be substantial. Treasury Regulation Section 1.861-8 governs the amount of Home Office expense deductions allocated to effectively connected income. Home Office Expense allocations have been observed to be material amounts compared to the total deductions taken by a foreign corporation.

The campaign compliance strategy includes the identification of aggressive positions in these areas, such as the use of apportionment factors that may not attribute the proper amount of expenses to the calculation of effectively connected income. The goal of this campaign is to increase taxpayer compliance with the interest expense rules of Treasury Regulation Section 1.882-5 and the Home Office expense allocation rules of Treasury Regulation Section 1.861-8. The treatment stream for this campaign is issue-based examinations.

Form 1120-F Non-Filer & Protective Return U.S. Business Activity campaign

Practice Area: Cross Border Activities

Lead Executive: Deborah Palacheck, Director, Cross Border Activities

Campaign Point of Contact: Cindy Kim

Foreign companies doing business in the U.S. are often required to file Form 1120-F. LB&I has data suggesting that many of these companies are not meeting their filing obligations. In this campaign, LB&I will use various external data sources to identify these foreign companies and encourage them to file their required returns. The treatment stream for this campaign will involve soft letter outreach. If the companies do not take appropriate action, LB&I will conduct examinations to determine the correct tax liability. The goal is to increase voluntary compliance by foreign corporations with a U.S. business nexus.

High income non-filer

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: James M. Kwong, program manager

U.S. citizens and resident aliens are subject to tax on worldwide income. This is true whether or not taxpayers receive a Form W-2 Wage and Tax Statement, a Form 1099 (Information Return) or its foreign equivalents. Through an examination treatment stream, this campaign will concentrate on bringing into compliance those taxpayers who have not filed tax returns.

Individuals employed by foreign governments & international organizations

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: James M. Kwong, program manager

In some cases, individuals working at foreign embassies, foreign consular offices, and various international organizations may not be reporting compensation or may be reporting it incorrectly. Foreign embassies, foreign consular offices and international organizations operating in the U.S. are not required to withhold federal income and social security taxes from their employees' compensation nor are they required to file information reports with the Internal Revenue Service.

This lack of withholding and reporting results in unreported income, erroneous deductions and credits, and failure to pay income and Social Security taxes. Because this is a fluid population, there may be a lack of knowledge regarding tax obligations. This campaign will focus on outreach and education by partnering with the Department of State's Office of Foreign Missions to inform employees of foreign embassies, consular offices and international organizations. The IRS will also address noncompliance in this area by issuing soft letters and conducting examinations.

Individual Foreign Tax Credit Phase II

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: James M. Kwong, program manager

Section 901 of the Internal Revenue Code alleviates double taxation through a dollar-for-dollar credit against U.S. tax on foreign-sourced income in the amount of foreign taxes paid on that income.

Individuals who meet certain requirements may qualify for the foreign tax credit. This campaign addresses taxpayers who have claimed the credit but do not meet the requirements. The IRS will address noncompliance through a variety of treatment streams, including examination.

Inflated cost of goods sold

Practice Area: ADCCI: CP&A

Lead Executive: Ronald H. Hodge II, Program Manager, ADCCI- CP&A

Campaign Point of Contact: Arlyn Q. Alvarez, Team Manager, ADCCI- Workload Development & Delivery

This campaign focuses on LB&I taxpayers that have indications of inflated Cost of Goods Sold to reduce taxable income. Such inflation may be due to inventory valuation, overstatement of other costs, or improper deduction of nondeductible items.

IRC Section 965 for individuals

Practice Area: Withholding, Exchange and International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: James M. Kwong, program manager

Pursuant to the changes to IRC §965 under the Tax Cuts and Jobs Act, U.S. shareholders, including individuals, that directly or indirectly own at least 10% of the stock of a specified foreign corporation (SFC) are required to include in gross income their share of the SFC's accumulated post-1986 deferred foreign income for the last taxable year of the SFC beginning before January 1, 2018, and report this amount on their returns for the taxable year in which or with which their SFC's taxable year ends (generally, 2017 and/or 2018). The Internal Revenue Service will address noncompliance through soft letters and examinations.

IRC 199 - Claims Risk Review

Practice Area: Enterprise Activities

Lead Executive: Mark Nyman

Campaign Point of Contact: Ellen Kolpin

Public Law 115-97 repealed the Domestic Production Activity Deduction (DPAD) for taxable years beginning after December 31, 2017.

This campaign addresses all business entities that may file a claim for additional DPAD under IRC Section 199. The campaign objective is to ensure taxpayer compliance with the requirements of IRC Section 199

through a claim risk review assessment and issue-based examinations of claims with the greatest compliance risk.

IRC Section 807(d) - Computation of Life Insurance Reserves campaign

Practice Area: Enterprise Activities

Lead Executive: Scott Ballint, Director, Enterprise Activities

Campaign Point of Contact: Deborah Inganamorte, Program Manager, Enterprise Activities

Section 13517 of the Tax Cuts and Jobs Act (TCJA) amended Internal Revenue Code (IRC) section 807(d) to provide a new method for computing life insurance reserves, effective for tax years beginning after December 31, 2017. IRC section 807(d)(1) provides generally that, for purposes of determining life insurance company taxable income, the amount of the life insurance reserves for any contract (other than a contract to which IRC section 807(d)(1)(B) applies (relating to variable contracts)), is the greater of the net surrender value of such contract or 92.81 percent of the reserve determined under IRC section 807(d)(2), subject to the statutory cap as provided in IRC section 807(d)(1)(C).

Section 13517(c)(3) of the TCJA provided a transition rule that requires any difference between (i) the amount of life insurance reserves with respect to any contract as of the close of the taxable year preceding the first taxable year beginning after December 31, 2017, computed using the method prescribed by the TCJA, and (ii) the amount of such reserves computed using the method applied prior to amendment by the TCJA, to be taken into account ratably over the eight succeeding taxable years.

The goal of this Campaign is to examine Forms 1120-L filed by life insurance companies for their 2017 and/or 2018 taxable years (and any related and subsequent year returns) to understand how taxpayers implemented TCJA Section 13517, to ensure compliance, and to identify compliant and non-compliant technical issues. The treatment stream for this campaign is issue based examinations.

IRC Section 807(d) - Re-Computation of Life Insurance Reserves campaign

Practice Area: Enterprise Activities

Lead Executive: Scott Ballint, Director, Enterprise Activities

Campaign Point of Contact: Deborah Inganamorte, Program Manager, Enterprise Activities

Internal Revenue Code (IRC) section 807(d) sets forth rules for computing the amount of life insurance reserves. Under prior law, the interest rate used in this computation is the greater of: (i) the applicable federal interest rate (AFIR) (as prescribed under IRC section 846(c)(2)); or (ii) the prevailing State assumed interest rate (PSAIR) (as defined in IRC section 807(d)(4)(B)). See former IRC section 807(d)(2)(B). However, a taxpayer could elect to recompute, every five years, the AFIR used in this computation of life insurance reserves. See former IRC section 807(d)(4)(A)(ii).

On June 27, 2019, the IRS Office of Chief Counsel issued Chief Counsel Advice (CCA) [201939003](#) [PDF](#) which addressed the making of an election under former IRC section 807(d)(4)(A)(ii) (the “807(d)(4)(A)(ii) election”). The CCA concludes that the doctrine of election precludes a taxpayer from making an IRC section 807(d)(4)(A)(ii) election on an amended return, and also precludes a taxpayer from making an IRC section 807(d)(4)(A)(ii) election on an originally filed 2017 return with respect to contracts issued five or more years prior to 2017.

A taxpayer that has made an improper IRC section 807(d)(4)(A)(ii) election for contracts issued in 2012 and prior years may also be at risk for improperly calculating its transition adjustment as required by section 13517(c)(3) of the Tax Cuts and Jobs Act (TCJA).

The goal of this Campaign is to examine original and amended Forms 1120-L filed by life insurance companies for their 2017 and/or 2018 taxable years (and any related and subsequent year returns) to ensure compliance, and to identify compliant and non-compliant technical issues. The treatment stream for this campaign is issue based examinations.

IRC 965 - Treatment of Deferred Foreign Income Upon Transition to Participation Exemption System of Taxation

Practice Area: Cross Border Activities

Lead Executive: Deborah Palacheck, Director, Cross Border Activities

Campaign Point of Contact: Don Murray

Internal Revenue Code (IRC) 965, Treatment of Deferred Foreign Income Upon Transition to Participation Exemption System of Taxation, was part of the Tax Cuts and Jobs Act (TCJA) enacted on December 22, 2017. In general, IRC 965 requires United States shareholders, as defined under IRC 951(b), to pay a transition tax on the untaxed foreign earnings of certain specified foreign corporations as if those earnings had been repatriated to the United States. IRC 965 applies with respect to the last taxable year of the relevant specified foreign corporation that begins before January 1, 2018, and the amount included in income under IRC 965 is includible in the United States shareholder's year in which or with which such a specified foreign corporation's year ends. The vast majority of IRC 965 liability will arise on taxpayer returns for 2017 and 2018 tax years. The goal of this campaign is to promote compliance with IRC 965. The treatment stream will include conducting examinations as well as providing technical assistance to teams on 965, with a focus on identifying and addressing taxpayer populations with potential material compliance risk. The campaign will start with 2017 returns and generally require looking at both the 2017 and 2018 tax returns. It is anticipated that returns selected as part of the 965 campaign will also be risked and, if appropriate, examined for other material issues, especially issues related to TCJA planning.

Loose filed Forms 5471

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: James M. Kwong, program manager

Form 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, must be attached to an income tax return (or a partnership or exempt organization return, if applicable) and filed by the return's due date including extensions. Some taxpayers are incorrectly filing Forms 5471 by sending the form to the IRS without attaching it to a tax return (or partnership or exempt organization return, if applicable).

If a Form 5471 is required to be filed and was not attached to an original return, an amended return with the Form 5471 attached should be filed. The goal of this campaign is to improve compliance with the requirement to attach a Form 5471 to an income tax, partnership or exempt organization return.

Micro-captive insurance campaign

Practice Area: Enterprise Activities

Lead Executive: Lisa Rupert

Campaign Point of Contact: Deborah Inganamorte

This campaign addresses transactions described in Transactions of Interest Notice 2016-66, in which a taxpayer attempts to reduce aggregate taxable income using contracts treated as insurance contracts and a related company that the parties treat as a captive insurance company. Each entity that the parties treat as an insured entity under the contracts claims deductions for insurance premiums. The manner in which the contracts are interpreted, administered, and applied is inconsistent with arm's length transactions and sound business practices. LB&I has developed a training strategy for this campaign. The treatment stream for this campaign will be issue-based examinations.

Nonresident alien individual (NRA) tax credits

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: James M. Kwong, program manager

This campaign is intended to increase compliance in nonresident alien individual (NRA) tax credits. NRAs who either have no qualifying earned income, do not provide substantiation/proper documentation, or do not have qualifying dependents may erroneously claim certain dependent related tax credits. In addition, some NRA taxpayers may also claim education credits (which are only available to U.S. persons) by improperly filing Form 1040 tax returns. This campaign will address noncompliance through a variety of treatment streams including outreach/education and traditional examinations.

Nonresident alien rental income from U.S. real property

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: James M. Kwong, program manager

Nonresident aliens who receive rental income from U.S. real property must comply with all tax reporting and filing requirements. This campaign will address noncompliance through examinations, education, and outreach.

Nonresident alien Schedule A and other deductions

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: James M. Kwong, program manager

This campaign is intended to increase compliance in the proper deduction of eligible expenses by nonresident alien (NRA) individuals on Form 1040NR Schedule A. NRA taxpayers may either misunderstand or misinterpret the rules for allowable deductions under the previous and new Internal Revenue Code provisions, do not meet all the qualifications for claiming the deduction and/or do not maintain proper records to

substantiate the expenses claimed. The campaign will address noncompliance through a variety of treatment streams including outreach/education and traditional examinations.

Nonresident alien tax treaty exemptions

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: James M. Kwong, program manager

This campaign is intended to increase compliance in nonresident alien (NRA) individual tax treaty exemption claims related to both effectively connected income and Fixed, Determinable, Annual Periodical income. Some NRA taxpayers may either misunderstand or misinterpret applicable treaty articles, provide incorrect or incomplete forms to the withholding agents or rely on incorrect information returns provided by U.S. payors to improperly claim treaty benefits and exempt U.S. source income from taxation. This campaign will address noncompliance through a variety of treatment streams including outreach/education and traditional examinations.

Offshore private banking campaign

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: Karen S. Cincotta, program manager

On March 22, 2019, the Offshore Private Banking Campaign was announced. This campaign addresses tax noncompliance related to taxpayers' failure to report income generated and information reporting associated with offshore banking accounts. Treatment streams under this campaign will also address individual FATCA compliance. FATCA records, including those received under intergovernmental agreements

(IGAs), will be reconciled with U.S. domestic reporting. As part of this process, we will review information exchanged under Model 1 and 2 IGAs. This includes but is not limited to:

- identifying omissions (e.g. failure to disclose accounts);
- identifying account holders from records received with missing information (e.g. taxpayer identification number); and
- identifying account holders from records received from pooled reporting under Model 2 IGAs.

U.S. persons are subject to tax on worldwide income from all sources including income generated outside of the United States. It is not illegal or improper for U.S. taxpayers to own offshore structures, accounts, or assets. However, taxpayers must comply with income tax and information reporting requirements associated with these offshore activities.

The IRS is in possession of records that identify taxpayers with transactions or accounts at offshore private banks. This campaign addresses tax noncompliance and the information reporting associated with these offshore accounts. The IRS will initially address tax noncompliance through the examination and soft letter treatment streams. Additional treatment streams may be developed based on feedback received throughout the campaign.

Offshore service providers

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: Karen S. Cincotta, program manager

The focus of this campaign is to address U.S. taxpayers who engaged Offshore Service Providers that facilitated the creation of foreign entities and tiered structures to conceal the beneficial ownership of foreign financial accounts and assets, generally, for the purpose of tax avoidance or evasion. The treatment stream for this campaign will be issue-based examinations.

Partnership losses in excess of partner's basis campaign

Practice Area: Pass-Through Entities

Lead Executive: Maria Dolan, Acting Deputy Director, Pass-Through Exam Strategy & Promoter Program

Campaign Point of Contact: Racheal Jaeckel, Program Manager, Pass-Through Entities Practice Network

Partners that report flow-through losses from partnerships must have adequate outside basis as determined pursuant to IRC § 705 to deduct the losses or else the losses are suspended per § 704(d) to the extent they exceed the partner's basis in the partnership interest.

Puerto Rico Act 22, Individual Investors Act

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: James M. Kwong, program manager

This campaign addresses taxpayers who have claimed benefits through Puerto Rico Act 22, "Act to Promote the Relocation of Individual Investors to Puerto Rico", without meeting the requirements of IRC Section 937, Residence and Source Rules Involving Possessions. As a result, these individuals may be excluding income subject to US tax on a filed US income tax return or failing to file and report income subject to US tax. This campaign will also address those individuals who have met the requirements of IRC Section 937 but may be erroneously reporting US source income as Puerto Rico source income in order to avoid US taxation. The objective of this campaign is to address noncompliance in this area through a variety of treatment streams including examinations, outreach and soft letters.

Sale of partnership interest

Practice Areas: Pass-Through Entities and Eastern Compliance

Lead Executives: Maria Dolan and Joseph Banks

Campaign Point of Contact: Racheal Jaeckel and Cathy Brooks

Generally, the sale of a partnership interest results in capital gain or loss. If the partner held the interest for more than one year, the long-term capital gain tax rate is usually 15 percent. If the partnership depreciated real property or has appreciated collectibles at the time of the sale or exchange, higher capital gain rates may apply. If the partnership has inventory items or unrealized receivables at the time of the sale or exchange, a portion of the gain or loss will be ordinary gain or loss.

This campaign will address taxpayers who do not report the sale or do not report the gain or loss correctly. Incorrect reporting may include the gain or loss amount or reporting the entire gain as long-term capital gain (usually 15 percent). Often, a portion of the gain is ordinary gain or taxed at the 25 percent or 28 percent long-term capital gain rates.

A variety of treatment streams will address taxpayer noncompliance, including examinations. When appropriate, the Service will issue soft letters. Additional treatment streams include practitioner and taxpayer outreach, tax software vendor outreach, and tax form and publication change suggestions.

SECA tax

Practice Areas: Pass Through Entities and Northeastern Compliance

Lead Executives: Maria Dolan and Deborah B. Mullen

Campaign Points of Contact: Racheal Jaeckel and Agnes T. Schlesinger

Partners report income passed through from their partnerships. Unless an individual partner qualifies as a “limited partner” for self-employment tax purposes, the partner’s distributive share is subject to self-employment tax under the Self-Employment Contributions Act (SECA). Some individual partners, including service partners in service partnerships organized as state-law limited liability partnerships, limited partnerships, and limited liability companies, have inappropriately claimed to qualify as “limited partners” not subject to SECA tax.

Sports industry losses

Practice Area: Pass Through Entities

Lead Executive: Maria Dolan, Acting PTE Deputy Director

Campaign Point of Contact: Drew Malone, Team Manager PST PN

The Sports Industry Losses campaign is designed to identify partnerships within the Sports Industry that report significant tax losses and determine if the income and deductions driving the losses are reported in compliance with the applicable sections of the Internal Revenue Code.

Swiss bank program campaign

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: Karen S. Cincotta, program manager

In 2013, the U.S. Department of Justice announced the Swiss Bank Program as a path for Swiss financial institutions to resolve potential criminal liabilities. Banks that are participating in this program provide information on the U.S. persons with beneficial ownership of foreign financial accounts. This campaign will address noncompliance, involving taxpayers who are or may be beneficial owners of these accounts, through a variety of treatment streams including, but not limited to, examinations and letters.

Syndicated conservation easement transactions

Practice Areas: Eastern Compliance and Enterprise Activities

Lead Executives: Lavena Williams and Scott Ballint

Campaign Point of Contact: Diane Flouro and Cathy Brooks

The IRS issued Notice 2017-10, designating specific syndicated conservation easement transactions as listed transactions, requiring disclosure statements by both investors and material advisors.

This campaign is intended to encourage taxpayer compliance and ensure consistent treatment of similarly situated taxpayers by ensuring the easement contributions meet the legal requirements for a deduction, and the fair market values are accurate.

The initial treatment stream is issue-based examinations. Other treatment streams will be considered as the campaign progresses.

U.S. territories - Erroneous refundable credits

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: Karen S. Cincotta, program manager

Some bona fide residents of U.S. territories are erroneously claiming refundable tax credits on Form 1040, U.S. Individual Income Tax Return. This campaign will address noncompliance through a variety of treatment streams including outreach and traditional examinations.

U.S. territories self employment tax

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: James M Kwong, program manager

This campaign addresses residents of U.S. territories—Puerto Rico, U.S. Virgin Islands (USVI), Guam, American Samoa and Commonwealth of Northern Mariana Islands (CNMI)—who either failed to pay, or underpaid, self-employment tax to the Internal Revenue Service (IRS). Residents of U.S. territories with net self-employment income of \$400 or more are subject to U.S. self-employment tax even if they have no income tax filing

obligation with the United States. Such individuals should file Form 1040SS or 1040PR if they have not already done so; those who understated their self-employment tax should amend Form 1040SS or 1040PR to properly report and pay their self-employment tax. The IRS will address continued noncompliance through a variety of treatment streams, including examination.

Verification of Form 1042-S credit claimed on Form 1040NR

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: David C. Oyler, program manager

This campaign is intended to ensure the amount of withholding credits or refund/credit elect claimed on Forms 1040NR, U.S. Nonresident Alien Tax Return, is verified and whether the taxpayer has properly reported the income reflected on Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding. Before a refund is issued or credit allowed, the Internal Revenue Service verifies the withholding credits reported on the Form 1042-S. The campaign will address noncompliance through a variety of treatment streams including, but not limited to, examinations.

Virtual currency

Practice Area: Withholding, Exchange & International Individual Compliance

Lead Executive: Judith A. McNamara, Director, Withholding, Exchange & International Individual Compliance

Campaign Point of Contact: Karen S. Cincotta, program manager

U.S. persons are subject to tax on worldwide income from all sources including transactions involving virtual currency. IRS Notice 2014-21 states that virtual currency is property for federal tax purposes and provides information on the U.S. federal tax implications of convertible

virtual currency transactions. The Virtual Currency Compliance campaign will address noncompliance related to the use of virtual currency through multiple treatment streams including outreach and examinations. The compliance activities will follow the general tax principles applicable to all transactions in property, as outlined in Notice 2014-21. The IRS will continue to consider and solicit taxpayer and practitioner feedback in education efforts, future guidance, and development of Practice Units. Taxpayers with unreported virtual currency transactions are urged to correct their returns as soon as practical.