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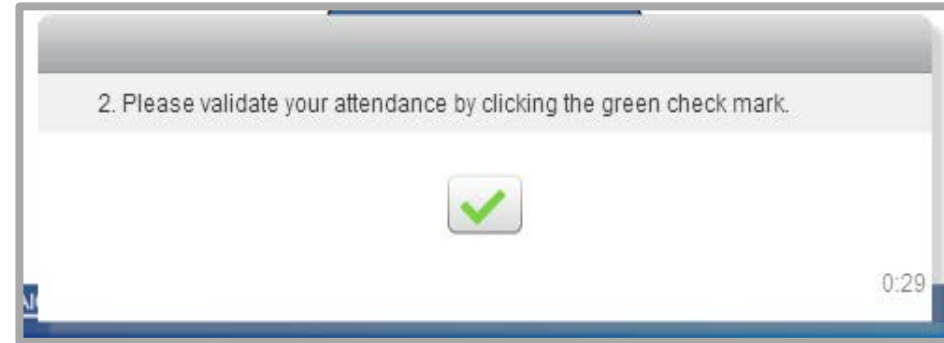
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Today's Presenters

- **Pamela Drenthe**, CPA, Director, Withholding and International Individual Compliance
  Large Business and International (LB&I) Division

- **Sharon Porter**, CPA, Director, Treaty & Transfer Pricing Operations
  Large Business and International (LB&I) Division

- **Robert Choi**, Acting Director, Eastern Compliance Practice Area
  Large Business and International (LB&I) Division

- **<u>Moderators</u>**:

  – **Jonathan Horn**, **CPA, CGMA** Senior Manager, AICPA Tax Policy & Advocacy

  – **David Sites**, Partner, Grant Thornton LLP

Pamela Drenthe, CPA

- Current Director, Withholding and International Individual Compliance

- Almost 25 years of experience in the international tax arena

- Responsible for the development, implementation, and oversight of the international individual compliance and withholding campaigns and strategies

- Oversees international individual and foreign payments field operations

Sharon Porter, CPA

- Current Director, Treaty and Transfer Pricing Practice Area

- Responsible for a comprehensive strategy to address compliance with transfer pricing laws through all forms of compliance including examination, advanced pricing arrangements, and the mutual agreement program

- Responsible for effective management of treaty relationships and continuous improvements to our systems and processes impacting these programs

Robert Choi

- Current Director, Eastern Compliance Practice Area

- The LB&I Eastern Compliance Practice Area is responsible for the tax administration activities regarding corporations and flow-through entities with assets greater than $10 million within a geographic area covering thirteen states. The thirteen states are Wisconsin, Illinois, Michigan, Ohio, Indiana, Kentucky, Tennessee, North Carolina, South Carolina, Georgia, Alabama, Mississippi, and Florida.

- The Eastern Compliance Practice Area also has primary responsibility for several program areas including the Tax Computation Specialist (TCS) and Joint Committee Review programs

Inbound Distributor Campaign

Agenda

Inbound Distributor Campaign

- History

- Why selected for campaign, why specifically targeted to mid-market firms

- Available Practice Units

History

- LB&I realigned to be more issue focused and utilize up-front issue identification

- Began this pilot in 2015 by training 20 revenue agents with basic international law and specific training on the issue – focus is on inbound distributors

- Expanded the pilot in 2016 to bring in an additional 17 revenue agents

- Formally became a campaign in January 2017

- Treatment stream: Issue-based examination

- Mentors are assigned to each revenue agent (economist and tax law specialist/senior revenue agent)

History *(cont.)*

- Revenue agents receive training for transfer pricing and related topics tailored to inbound distributors

- Cadre of instructors includes technical specialists and economists

- Feedback loops established for participants to share experiences and discuss issues, auditing techniques, training needs with mentors, management, and each other

- Treaty & Transfer Pricing Operations (TTPO) is the Campaign Owner but collaboration between TTPO, Cross Border Activities (CBA) and the Geographic Compliance Practice Areas

Why Selected for Campaign?

- Issue demonstrates potential non-compliance in a segment of the market that has incurred losses or small profits on U.S. returns which may not be commensurate with functions performed, assets employed, or risks assumed

- Knowledge management by leveraging our resources more efficiently to promote knowledge sharing and skills transfer in the area of IRC Sec. 482

- Testing our ability to provide appropriate tools and support for the agent working the issues in support of our pillar of well-trained workforce

- This campaign supports two of our guiding principles: flexible workforce and use of data analytics and feedback

Available Practice Units

Practice Unit Name
Three Requirements of IRC Sec. 482
Arm's Length Standard
Best Method Determination for an Inbound Distributor
Comparability Analysis for Tangible Goods Transactions Inbound
CPM Simple Distributor Inbound
Inbound Resale Price Method Routine Distributor
Purchase of Tangible Goods from Foreign Parent – CUP Method
Review of Transfer Pricing Documentation by Inbound Taxpayers
Taxpayers Affirmative Use of IRC Sec. 482
Advance Pricing Agreement for Tangible Goods Transactions Inbound
Revenue Procedure 99-32 Inbound Guidance

POLLING QUESTION

Are you familiar with the IRS Practice Units available on IRS.gov?

- Yes, I've reviewed one or more in the past.

- Yes, but I've never reviewed any of them.

- No, but now I'm interested.

- No, and I don't expect to check them out.

- What's a Practice Unit again?

OVDP Declines/Withdrawals Campaign

Agenda

OVDP Declines/Withdrawals Campaign

- Background: OVDP

- Why selected for a campaign

- Taxpayer population

- Treatment streams

- Compliance options available

POLLING QUESTION

What year did OVDP start?

- 2009

- 2011

- 2012

- What is OVDP?

Background – OVDP

- Since 2009, the IRS has implemented three different Offshore Voluntary Disclosure Programs (OVDPs) resulting in more than 55,800 disclosures and $9.9 billion in tax, interest, and penalties.

- These programs have allowed U.S. taxpayers to voluntarily come forward to resolve past non-compliance related to unreported offshore income and failure to file information returns.

- The current program started on Jan. 9, 2012 and the terms of the program were modified in June 2014.

- Streamlined filing procedures were added for taxpayers certifying **non-willful conduct**.

Why Selected for a Campaign?

The purpose of this campaign is to address potential non-compliance concerns for certain taxpayers who applied for OVDP but were not accepted into the program.

Declines:

- Taxpayers who applied to OVDP and were denied entry by Criminal Investigation for various reasons.

Withdrawals:

- Taxpayers who started an OVDP submission but subsequently withdrew their request **before they were accepted** into the program.

Taxpayer Population

- The campaign includes all taxpayers meeting the criteria on the previous slide since OVDP started in 2009.

- It does **NOT** include:

  - Taxpayers who are in OVDP

  - Taxpayers who opted out or were removed from OVDP

POLLING QUESTION

Do you have clients who applied to one of the Off-Shore Voluntary Disclosure Programs?

- Yes.

- Yes, but some were declined entry.

- Yes, but some decided to withdraw before acceptance.

- Yes, but some opted out and moved to a streamlined program.

- No.

Treatment Streams

- No further action

- Soft letters

- Examinations

Compliance Options Available

- Unfortunately, OVDP is no longer an option for these taxpayers.

- Taxpayers can amend all required returns and pay the necessary tax and penalties related to their non-compliance at any time.

- If the taxpayer receives a soft letter, the letter will provide the taxpayer an option to become compliant.

Questions?

Future IRS LB&I Compliance Campaign Webinars

- Repatriation/F-1120F
  May 23, 2017

- Domestic Production/Related-Party Transactions
  June 6, 2017

- 48C Energy Credit/Land Developer
  June 20, 2017

- Register at [irs.gov](irs.gov)

Resources

- **AICPA Advocacy**, On behalf of its members, the AICPA monitors and advocates on legislative and other matters that affect the accounting profession.

- **IRS LB&I Tax Center**, Serving corporations, subchapter S corporations, and partnerships with assets greater than $10 million.

- **AICPA Tax Section**, is the home for CPA tax professionals seeking the edge they need to achieve success for themselves and their clients. Tax Section members receive benefits such as:

  – Tax practice support (checklists, organizers, engagement letters, practice guides, IRS notice response templates, and more)
  – Relevant tax communications
  – Free and discounted CPE webcasts

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- **Trends in Tax Technology**, Thursday, July 20 from 1:00 – 2:45pm ET (2 hours of CPE)✴

Other Upcoming Webcasts/Conferences

- **Fundamentals of Expatriate Taxation for Clients Who Live and Do Business Internationally**, May 24 from 1-2:45pm ET (2 hours of CPE)

- **AICPA ENGAGE**, June 12 – 15, Las Vegas, NV or virtual (discounts for Tax Section, PFP and PCPS members)

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