Looking back over the past three years, we have made significant improvements to our system of tax administration. As a result of a great deal of effort, we’re in a far different situation today than we were last year or the year before. To a considerable extent, the foundation of the new IRS has been laid, and we must now take the next step and successfully execute our plans for the 2001 filing season.

One of our biggest goals for this coming filing season is to conduct most of our internal and external transactions electronically. To meet this objective, we must make it not only technologically possible, but also attractive to the public to make a permanent change from paper to electronic means. Toward that end, here are some of the things we’re rolling out this year and planning for the future.

• For the 2001 filing season, we are adding 23 additional forms to the 1040 e-file program. We plan to roll out the remaining 40 forms and schedules for 2002. This means we will open e-file eligibility to 99.1 percent of all taxpayers, potentially adding 3.8 million new e-filers to the growing rolls.

• The IRS will eliminate the requirement for a separate paper document with the e-file return. The IRS has successfully tested the use of a PIN code as the taxpayer’s signature. With a few exceptions, the 2001 filing season program will extend this option to all taxpayers nationwide who will be able to select their own PIN, then file electronically without any paper. In addition, we have a Taxpayer Authorization Form through which taxpayers can give an electronic return originator the authority to enter their PIN Code.

• This past filing season, more electronic payments options were made available. These include accepting debit payments through TeleFile and accepting credit cards for Forms 1040ES, estimated tax payments, and Forms 4868, extensions of time to file. We will continue to offer these options and build on these successes.

• We’re prototyping a secure messaging system that will provide participating practitioners with a Web-based means for resolving account-related issues. One of our major priorities is to build a secure infrastructure that will permit authorized practitioners to exchange information with the IRS through the Internet.

We have much to show for these three years. Although we can be proud of these accomplishments, we can’t be satisfied. The real work has just begun, and I’m convinced that if we stay the course, we will succeed. I wish you all the best for the upcoming filing season.
The IRS is undergoing the most significant reorganization in its history, and the agency is especially grateful for the support it has received from the practitioner community since the beginning of the modernization effort.

Practitioners are a critical part of the tax system and are essential in providing the IRS with insights and input throughout the modernization process. Practitioners are also major communicators of the modernization program not only to their clients, but to all taxpayers. The IRS values its relationships with tax professionals and will work to enhance these relationships in the future.

The current IRS structure established in 1952 succeeded in accomplishing its purpose of administering the nation’s tax laws. Today, the IRS collects about $1.8 trillion in federal taxes and has a voluntary compliance rate of approximately 98 percent. However, despite consistently fulfilling its purpose, the IRS has been the subject of a great deal of study and criticism in recent years. These studies revealed a wide range of problems including inadequate technology, poor service to taxpayers, violations of taxpayer rights, lack of adequate training and resources and the inappropriate use of enforcement statistics.

Beginning with the IRS Restructuring and Reform Act of 1998, and culminating with the stand-up of four new operating divisions last year, the IRS has designed and implemented changes that are intended to better serve taxpayers. The central tenet of modernization lies in the belief that by understanding the taxpayer’s point of view, the Service will be in a better position to collect the appropriate amount of tax while at the same time more effectively using limited resources. The cornerstone of this effort was the establishment of three strategic goals. These goals are:

- Service to each taxpayer.
- Service to all taxpayers.
- Increased productivity through a quality work environment.

In order to implement these goals, the IRS has adopted five guiding principles. These principles are to:

- Understand and solve problems from the taxpayer’s point of view.
- Enable managers to be accountable.
- Align measures of performance at all organizational levels.
- Foster open, honest communication.
- Insist on total integrity.

Finally, the spirit of this effort is embodied by the new IRS mission statement: “Provide America’s taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.”

One of the Service’s main objectives is to assist stakeholders and improve the overall consistency and quality of stakeholder interactions. Over the last few months, the IRS has evaluated current relationships with external stakeholders across the country and has designated specific points of contact within the agency that will be responsible for reaching out to them and maintaining open lines of communication during the upcoming filing season. These points of contact will include employees from all four operating divisions, as well as the commissioner’s representatives in all 50 states, and will...
CONTACTING THE NEW IRS

IRS Leadership Team
View our organizational structure and find out whom to contact to learn more about each IRS organization. (www.irs.gov/ bus_info/tax_pro/iod/1/index.html)

The IRS in your state
See how the different services offered by the IRS are distributed across your state and learn whom to contact to meet your business needs. (www.irs.gov/bus_info/tax_pro/iod/2/index.html)

Small Business and Self-Employed
Contact points for taxpayers filing Forms 1120S (S-corporations); 1065 (partnerships), 1120 (small corporations); 2106 (business expenses); Schedule C (self-employed); Schedule E (rental real estate and royalties); Schedule F (farmers), estate and gift tax, fiduciary returns or international tax returns. (www.irs.gov/bus_info/tax_pro/iod/5/index.html)

Large & Mid-Sized Business
Contact points for taxpayers requiring sophisticated tax planning such as corporations, sub-chapter S corporations and partnerships with assets greater than $5 million. (www.irs.gov/bus_info/tax_pro/iod/6/index.html)

Tax Exempt and Government Entities
Contacts points for questions about returns pertaining to Employee Plans, Exempt Organizations and Government Entities. (www.irs.gov/bus_info/tax_pro/iod/7/index.html)

What the modernized IRS means to you
Continued from page 2

actively seek to develop preferred relationships, meet stakeholder needs and provide stakeholders access to the IRS. The goal for the future is not only to maintain existing relationships but to build on them and ensure that they continue to grow.

This new strategy is called Relationship Management, and it takes customer service to the next level. It is a type of account management that emphasizes a proactive approach whereby IRS relationship managers reach out to customers and get to know business needs and industry characteristics. A major part of the strategy is to provide stakeholders with points of entry into the IRS — people they can call when they need assistance. The practitioner hotline (See page 19.) will remain in place, but efforts are underway to vastly improve access to all parts of the Service. Toward this end, the Service has developed what promises to be one of the most useful communications tools available to our stakeholders — an interactive telephone directory of IRS managers and executives that is accessible on our Web site. This directory provides the names and numbers of key IRS points-of-entry on a state-by-state basis. Eventually, it will include numbers for customer service and taxpayer education and communication staff for each operating division, as well as contact information for executives on the local, regional and national levels.

The agency’s new mission required a fundamental change in its structure. In the new IRS, taxpayers will interact with four operating divisions (ODs) that will focus on the specific needs of its customers. The ODs are: Wage and Investment (W&I), Small Business/Self-Employed (SB/SE), Large and Mid-Size Business (LMSB) and Tax Exempt/Government Entities (TE/GE). Additional components of the new structure are the four functional divisions (FDs). The FDs will be responsible for handling issues agencywide and will provide support and service to the ODs. The four functional divisions are Appeals, Communications and Liaison, Criminal Investigation and the Taxpayer Advocate Service. For detailed information about the ODs, please see the At-a-Glance fact sheets on the following pages.

IRS offers Daily Tax Tips

The IRS is offering a new, daily series of Tax Tips for the 2001 filing season.

IRS Tax Tips offer concise, useful information on topics affecting millions of taxpayers. These easy-to-read tips cover a wide range of topics, from child credits and higher education benefits to Individual Retirement Accounts and Social Security issues.

Sample topics include:
- Free tax help from the IRS.
- What to do if you can’t pay your tax.
- Education credits.
- Charitable contributions.
- Common errors.
- Mortage implications of alimony payments.

More than 70 Tax Tips are available, a new one for each business day until the April tax deadline. (One early tip — this year’s due date for returns is April 16 because April 15 falls on a Sunday.)

The Tax Tips are available at the IRS Web site at www.irs.gov under the “IRS Newsstand” section or find the tips by going directly to www.irs.gov/prod/news/tips.html
Mission:
The Large & Mid-Size Business Operating Division will be a world class organization responsive to the needs of customers in a global environment, while applying innovative approaches to customer service and compliance. It will apply the tax law with integrity and fairness through a highly skilled workforce, and will foster an environment of inclusion where each employee can make a maximum contribution to the mission of the team.

Strategic Priorities:
• Globalization — Build a tax administration to effectively deal with the global economy.
• Issue Management — Develop a strategy to resolve disputes sooner with taxpayers or eliminate controversy sooner in the process.
• Employee Skills and Satisfaction — Recruit and retain a highly qualified, skilled and satisfied workforce.
• Abusive Corporate Tax Shelters — Strengthen our ability to deal with corporate tax shelters.

Management Team:
Larry R. Langdon
Commissioner
Deborah M. Nolan
Deputy Commissioner

LMSB Headquarters Office:
New Mint Building, 4th Floor
801 9th St. NW
Washington, DC 20001

Carol Dunahoo
Director, International
Keith Jones
Director, Field Specialists

Arlene Kay
Director, Quality Assurance and Performance Management
Gerald Reese
Director, Prefiling and Technical Guidance
Dick Teed
Deputy Director, Strategy, Research and Program Planning
Susan Linden
Director, Communications & Liaison
Jim O’Malley
Director, Management and Finance
Jim Gaul
Division Information Officer
Julie Rushin
Director, Business Systems Planning
JoAnne Johnson-Shaw
Director, EEO & Diversity

Industry Operations:
Retailers, Food and Pharmaceutical
Robert E. Brazzil
Industry Director
Downers Grove, IL
Richard Goelz
Director, Field Operations
Downers Grove, IL
Kathy Petronchak
Director, Field Operations
Laguna Niguel, CA

Natural Resources
Bobby L. Scott
Industry Director
Houston, TX

Paul Cordova
Director, Field Operations
Houston TX
Steve Burgess
Director, Field Operations
Springfield NJ

Financial Services & Healthcare
David B. Robison
Industry Director
New York, NY

Paul DeNard
Director, Field Operations
New York, NY
Marsha Ramirez
Director, Field Operations
Downers Grove, IL
Mary Tapley
Director, Field Operations
Laguna Niguel, CA

Heavy Manufacturing, Construction & Transportation
Thomas J. Smith
Industry Director
Springfield, NJ
Karen Ammons
Director, Field Operations
Springfield, NJ
Jack Schroeder
Director, Field Operations
Detroit, MI
Joe Brimacombe
Director, Field Operations
Laguna Niguel, CA

Communications, Technology & Media
Thomas R. Wilson, Jr.
Industry Director
Oakland, CA
Joann Bank
Director
Field Operations
Oakland, CA

Customer Profile:
• Corporations, Subchapter S corporations and partnerships with more than $5 million in assets.
• The largest business taxpayers interact with the IRS on an ongoing basis.
• Most have in-house tax divisions.

Major issues are tax law interpretation, accounting and regulatory issues. Many operate in a global environment.
Mission:
The mission of the Small Business/Self-Employed (SB/SE) Operating Division is to provide SB/SE customers top-quality service by educating and informing them of their tax obligations, developing educational products and services, and helping them understand and comply with applicable laws, and to protect the public interest by applying the tax law with integrity and fairness to all.

Strategic Priorities:
• Meet the public’s expectations by always being responsive and always performing with integrity when dealing with customers.
• Recognize the need for continuous training, skills enhancement and open communications between employees and management.
• Encourage compliance by partnering with the taxpayer from the “start-up” business phase and throughout the business life cycle.
• Stabilize and improve business results.

Headquarters:
New Carrollton, Maryland

Management Team:
Joseph Kehoe
Commissioner
Dale Hart
Deputy Commissioner
Jerry Songy
Director, Taxpayer Education and Communication

Bobby Hunt
Deputy Director, Taxpayer Education and Communication

John Ressler
Director, Customer Account Services

Brien Downing
Deputy Director, Customer Account Services

Glenn Henderson
Director, Compliance

Tom Hull
Deputy Director, Compliance

Chuck Peterson
Director, Strategy Program Planning and Quality

Rob Wilkerson
Director, Business Systems Planning

Rich Morgante
Director, Management and Finance

JoAnn Innis
Director, EEO and Diversity

Heather Rosenker
Director, Communications

Kevin Brown
Division Counsel (SB/SE)

Charles Valentino
Division Information Officer

Taxpayer Profile:
• Approximately 45 million taxpayers.
• About 33 million full or partially self-employed.
• About 7 million small businesses with assets of $5 million or less.
• Have some of the most complex issues due to tax law requirements and the number of forms and schedules required.
• Have 4–60 routine transactions with the IRS per year

The SB/SE Operating Division will serve this taxpayer segment through three organizations:
• Taxpayer Education and Communication (TEC): a customer-focused organization that will continuously research and analyze taxpayer trends to ensure that products and services are tailored to meet the needs of SB/SE taxpayers.
• Customer Account Services (CAS): focus on processing returns timely and accurately, assisting taxpayers with account specific questions and adjusting accounts when necessary.
• Compliance: focus on problem prevention and early intervention to increase overall compliance and fairness by providing educational guidance and outreach programs focusing on small business needs.
Mission: To provide TE/GE customers top quality service by helping them understand and comply with applicable tax laws and to protect the public interest by applying the tax law with integrity and fairness to all.

Strategic Priorities:
• Ensure the accuracy of the Exempt Organizations Master File.
• Address Employee Plans determination workload.
• Establish Government Entities organization and programs.
• Recruit, develop and retain a highly qualified and skilled workforce.

Headquarters: Washington, DC

Leadership Team:
Evelyn A. Petschek
Commissioner

Darlene R. Berthod
Deputy Commissioner

Carol D. Gold
Director, Employee Plans

Steven T. Miller
Director, Exempt Organizations

Edward J. Weiler
Director, Government Entities

John Ricketts
Director, Customer Accounts Service

Steve Pyrek
Dir., Communications & Liaison

Operating Units Headquarters:
Headquarters, Washington, DC
Customer Account Services, Cincinnati
EP Exam Headquarters, Baltimore
EO Exam Headquarters, Dallas
GE Headquarters, Washington, DC

Customer Profile:
• 3 million customers that range from small local community organizations and municipalities to major universities, huge pension funds, state governments and complex tax exempt bond deals.
• Pay more than $220 billion in employment tax and income tax withholding.
• Control $6.7 trillion in assets.
• Employee Plans taxpayers represent private and public retirement plans with $4.1 trillion in assets.
• Exempt Organization taxpayers represent more than 1.5 million tax exempt organizations, including 350,000 religious organizations with $1.3 trillion in assets.
• Government Entities taxpayers include outstanding tax exempt bonds with a total value of $1.4 trillion, 86,000 federal, state and local entities and more than 550 federally recognized Indian tribes.