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**NEW IRS BEGINS WORK;
REORGANIZED AGENCY REACHES MILESTONE TO IMPROVE SERVICE**

WASHINGTON – The Internal Revenue Service moves a step closer to modernizing the nation’s tax agency and improving taxpayer service with the Oct. 1 start of its new organizational structure.

The beginning of the new fiscal year marks the “stand up” of the reorganized IRS. The agency’s old standard of dividing the nation’s taxpayers by geographic boundaries will be replaced with a new, specialized system built around specific groups of taxpayers with common needs.

“This transformation is about improving service to taxpayers,” IRS Commissioner Charles O. Rossotti said. “In the months and years ahead, the new organization will create an opportunity for revolutionizing how the IRS works.”

The new organization, centered around four customer-focused divisions, will be dedicated to providing top-quality service and looking for innovative ways to solve problems before they start.

The new IRS structure will significantly reduce the number of management layers and points of entry for taxpayers. Instead of 33 Districts and 10 Service Centers, there will now be four operating divisions. This new centralized focus will help ensure uniform and consistent practices regardless of where taxpayers live, Rossotti said.

“With this stand-up, we’re taking our first steps as a new organization,” Rossotti said. “This will not solve problems overnight, but it will lead to the IRS becoming a better, more responsive organization focused on the needs of taxpayers.”

The reorganization, the agency’s most sweeping overhaul since 1952, followed the approval by Congress and President Clinton of the IRS Restructuring and Reform Act of 1998.

The IRS reaches the Oct. 1 milestone following months of work. The IRS relied on more than 1,600 employees to redesign and realign the nation’s tax agency. In addition, the IRS worked closely with the National Treasury Employees Union, tax practitioners, other external stakeholders and outside groups to build the new organization.

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“This reorganization has been a little like putting together a giant jigsaw puzzle. There are literally thousands of pieces to assemble,” Rossotti said.

In the short term, the reorganization should be transparent to taxpayers. For instance, taxpayer walk-in assistance will remain available, toll-free telephone numbers will stay in place and the IRS web site will continue. The IRS also is working with tax practitioners to ensure a smooth transition.

Some changes will show up during the 2001 filing season. Individual taxpayers in 12 states will send their tax returns to a new address next year. The new addresses will be printed on envelopes in tax packages, listed in the instructions for tax returns and contained in software used to prepare electronic returns.

In the long term, taxpayers will see more changes. The new organization will emphasize working quickly to solve problems and specializing to meet the needs of specific taxpayer groups.

“The new organization will place more emphasis on pre-filing services and early resolution of complex issues,” Rossotti said. “More IRS resources will be devoted to pre-filing activities, such as education and outreach to help taxpayers comply with tax law. Post-filing activities will be geared to problem prevention with targeted enforcement activities for non-compliance.”

Throughout this process, the IRS will work to make sure everyone pays their fair share while also ensuring that taxpayer rights are respected and safeguarded.

A key component of the new organization’s success will hinge on computer modernization. The IRS is in the early stages of overhauling its 1960s-era, tape-based computer system with a state-of-the-art system. When completed, the project will allow the IRS to deliver tax refunds in days, provide taxpayers up-to-date information on their accounts and improve service in numerous ways.

Other service improvements will come from the four new divisions, which form the backbone of the new IRS.

WAGE AND INVESTMENT

Wage and Investment (W&I) serves individual taxpayers. The division, headquartered in Atlanta, will serve about 90 million filers with income from wage and investments. In all, this represents 116 million taxpayers.

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Members of W&I will focus on educating and assisting taxpayers during all interactions with the IRS.

W&I is led by Commissioner John Dalrymple and Deputy Commissioner John Duder.

SMALL BUSINESS / SELF-EMPLOYED

Small Business / Self-Employed (SB/SE) is headquartered in New Carrollton, Md. This diverse group includes more than 40 million taxpayers that are full or partially self-employed or are small businesses with assets of less than \$5 million.

Taxpayers in this group face some of the most complex tax law requirements and file twice as many forms and schedules as W&I taxpayers. To help address that, SB/SE will focus on increased education and communication efforts with taxpayers and external stakeholder organizations, such as tax practitioners.

Leading SB/SE are Commissioner Joseph Kehoe and Deputy Commissioner Dale Hart.

LARGE AND MID-SIZE BUSINESS

Large and Mid-Size Business (LMSB) serves 210,000 corporations and partnerships with at least \$5 million in assets.

LMSB, headquartered in Washington, D.C., will feature an emphasis on helping taxpayers avoid problems before they start and streamlining the tax dispute process to ease burdens on businesses.

Commissioner Larry Langdon and Deputy Commissioner Deborah Nolan lead the LMSB team.

TAX-EXEMPT / GOVERNMENT ENTITIES

Tax-Exempt / Government Entities (TE/GE) is headquartered in Washington, D.C. The division serves three distinct customer segments – Employee Plans, Exempt Organizations and Government Entities – representing 3 million customers. TE/GE is designed to serve the needs of these three diverse customer segments. These groups control \$6.7 trillion in assets.

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TE/GE is led by Commissioner Evelyn Petschek and Deputy Commissioner Darlene Berthod.

For more information on the reorganization, visit the IRS web site at www.irs.gov. News releases on the reorganization are available at www.irs.gov/news/nandf.html. Modernizing America's Tax Agency, an overview of the IRS modernization effort, is available at www.irs.gov/welcome/modern2.html

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