



2019

SMALL BUSINESS/SELF EMPLOYED

ANNUAL REPORT

TABLE OF CONTENTS

Opening Statements by the:

Small Business/Self-Employed (SB/SE) Commissioner	3
SB/SE Deputy Commissioner Collection & Operations Support.....	4
SB/SE Deputy Commissioner Examination	5

The SB/SE Business Unit	6
--------------------------------------	----------

SB/SE Operating Units.....	7
-----------------------------------	----------

FY 2019 SB/SE Program Highlights.....	10
--	-----------

SB/SE Program Priorities	14
---------------------------------------	-----------

Goal 1 Empower and enable all taxpayers to meet their tax obligations.....	14
---	-----------

Goal 2 Protect the integrity of the tax system by encouraging compliance through administering and enforcing the tax code.....	17
---	-----------

Goal 3 Collaborate with external partners proactively to improve tax administration.....	19
---	-----------

Goal 4 Cultivate a well-equipped, diverse, flexible, and engaged workforce.....	21
--	-----------

Goal 5 Advance data access, usability and analytics to inform decision-making and improve operational outcomes.....	23
--	-----------

Goal 6 Drive increased agility, efficiency, effectiveness and security in IRS operations.....	24
--	-----------

Outreach/Community Engagement	27
--	-----------



Your time to shine

In my first few months as the SB/SE Commissioner, I've visited many of our work sites, attended town hall meetings and even sat side-by-side with a few of you as you've processed cases and talked with taxpayers. I've also talked with many tax professionals who are highly complementary of the quality of their interactions with SB/SE employees. It's clear we have much to be proud of and I'm a first-hand witness to how you've made this *your time to shine*.

This annual report is the perfect place to showcase our shining moments from fiscal year 2019, and I look forward to seeing these reports in the years ahead. Our operating units and individual employees accomplished a great deal, and this report features a few of those for all to see. Some are of improved processes and procedures and others are of good people doing good things that make the world a better place. All answer the call from Commissioner Rettig to be an IRS ambassador who makes a positive difference at work and at home.

I'm thankful former SB/SE Commissioner, Mary Beth Murphy and the 2019 leadership team have been and continue to be such ambassadors. What we've started this fiscal year builds upon a solid foundation of their stellar accomplishments and vision. I'm honored to lead a business unit made up of people who exemplify this kind of character and commitment and look forward to seeing what comes next. I know you'll continue to light the way with your shining examples.

Thank you for representing not just SB/SE, but also the IRS -- in such an incredible manner.

Eric Hylton

SB/SE Commissioner



Make yours the job you want it to be

The Taxpayer First Act comes at an opportune time. It invites each of us to overcome an all-too-common perception at the IRS that “it’s just not the job it used be.”

As the premier civil enforcement operation of the Treasury Department, SB/SE employees are being directed to take enforcement every time it’s appropriate. That means we’ll first educate and help our customers with better resources and training. If that fails, you have our support taking enforcement action and pursuing complex investigations. Doing so reinvigorates our deterrent role in promoting voluntary compliance and reducing the tax gap.

Our jobs have never been easy, popular, or without risks. Thriving in these roles requires a thick skin and an even bigger heart. The nation’s Treasury will need you more in the days and years to come.

The traditional role of the IRS’ civil investigator and enforcer is back, and employees providing their critical, expert support are, too. Your accomplishments in 2019 are all that’s needed to affirm our confidence in your ability to make the IRS and your jobs not just what they used to be, but better than ever. The pages that follow tell your story and introduce the start of bright new chapter for the Internal Revenue Service.

Darren Guillot

**SB/SE Deputy Commissioner
Collection & Operations Support**



Internalizing all that we stand for

This annual report serves as a record of SB/SE's accomplishments for 2019. It allows us to reflect on and celebrate our successes. Thank you for the support you provided in making those successes a reality. Seeing the abundance of accomplishments reinforces my decision to accept the deputy commissioner, Examination, position and contributes to the pride I have for SB/SE and the good work you do to support our mission and achieve our goals and priorities.

Accomplishments are what you do day in and day out to serve taxpayers. But it's much more than dutifully showing up for work; it's internalizing all that we stand for in SB/SE. In my short time in this position I have witnessed this during my discussions with and visits to employees in field and campus locations.

The examples documented here are evidence of your commitment to tax administration and provide Eric, Darren and me with confidence that your continued support of our identified areas of focus will lead to another successful year for SB/SE. There's much here to be proud of and I know there's much more to come.

De Lon Harris

**SB/SE Deputy Commissioner
Examination**

The Small Business/Self-Employed Business Unit

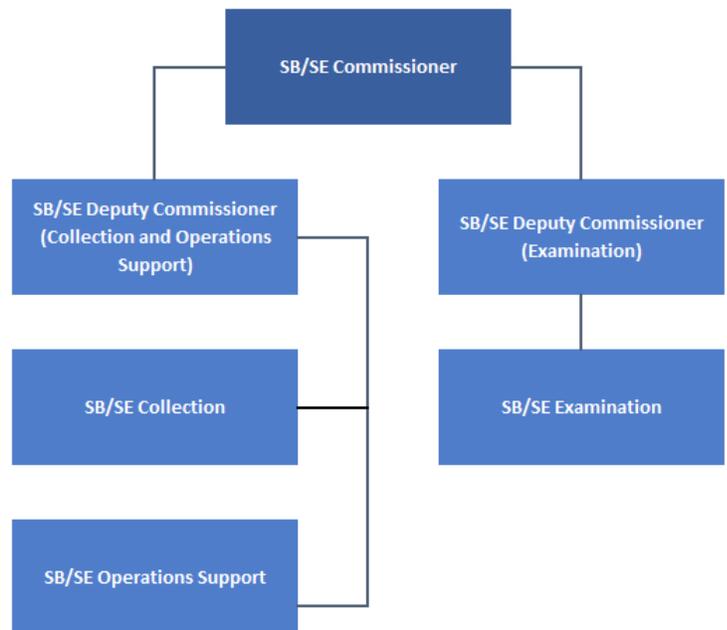
The IRS Small Business/Self-Employed (SB/SE) business unit's mission is to help small business and self-employed taxpayers understand and meet their tax obligations, while applying the tax law with integrity and fairness to all. SB/SE serves roughly one-third of the overall taxpayer base or about 57 million taxpayers, with a presence in all 50 states, the District of Columbia, and certain U.S. territories including approximately:

- 47 million Schedule C (Profit or Loss from Business), E (Supplemental Income or Loss), or F (Profit or Loss from Farming) filers,
- 6.8 million corporate filers, and
- 3.8 million partnership filers.

Additionally, the SB/SE serves approximately:

- 26.8 million employment tax return filers,
- 1.1 million excise tax return filers,
- 250,000 gift return filers, and
- 27,000 estate return filers.

There are more than 19,000 employees and managers in SB/SE's three operating units (OUs) – Examination, Collection, and Operations Support. Of those, more than 17,000 are in non-managerial positions that span over nearly 435 position descriptions reflecting the complexity of the work we do. Four of the most prevalent positions within SB/SE are designated as mission critical occupations or MCOs and include revenue agent (RA), tax compliance officer (TCO), estate and gift tax attorney, revenue officer (RO), collection representative (CR), and tax examiner (TE). Additional OU information and further description of these positions and some of their taxpayer-facing responsibilities are described in the following pages.



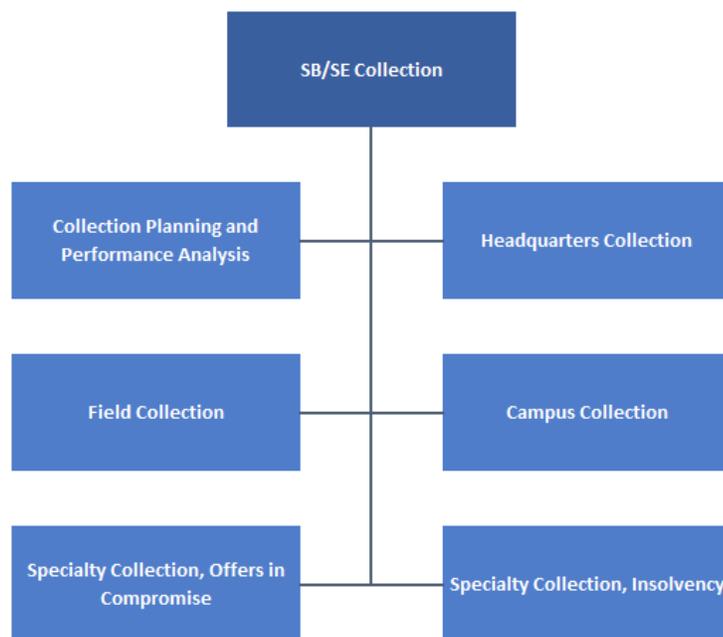
SB/SE Operating Units

SB/SE's three OUs – Collection, Examination, and Operations Support – have both similar and distinct operational objectives. SB/SE Examination and Collection have headquarters, field, campus, planning and performance analysis, and other specialized organizations. SB/SE also provides oversight for several IRS-wide operations, including the Office of Servicewide Penalties, the Office of Servicewide Interest, Fraud Policy and Operations, and the IRS Disaster Assistance Program – all of which are located within Operations Support.

SB/SE Collection

There are six organizations within SB/SE Collection OU:

- **Collection Planning and Performance Analysis** develops the annual Servicewide Collection work plan and produces management information reports.
- **Headquarters Collection** provides corporate-wide guidance, coordination, and support on all aspects of the collection process. Headquarters Collection uses data driven technology and strategies to deliver collection cases to the Automated Collection System (ACS) and Field Collection organizations that will improve voluntary compliance, increase revenue, and improve productivity.
- **Field Collection** protects the revenue and interests of the government through direct collection and enforcement activity with taxpayers and/or their representatives. Employees make face-to-face visits with taxpayers in the field to resolve tax delinquencies. Field Collection handles the most complex collection cases, which may involve lien, levy, seizure, civil suit, and fraud issues.
- **Campus Collection** addresses pre-filing, filing, and post-filing activities nationwide through five main campuses and 13 ACS remote sites. Campus Collection has two major enforcement programs – balance due and return delinquency. Operations include the Compliance Services Collection Operations (CSCO); ACS, which helps taxpayers resolve balances due or delinquent returns through a telephone-based operation; non-filer programs, including Automated Substitute for Return and Automated Internal Revenue Code (IRC) 6020(b)), and the Centralized Lien Organization that processes lien documents.
- **Specialty Collection Offer in Compromise** considers offers from taxpayers to settle delinquent tax liabilities for less than the full amount owed, and monitors offers in compromise after acceptance.
- **Specialty Collection Insolvency** protects the government's interest in bankruptcy cases and handles combined field and campus operations.



The SB/SE Collection OU collects delinquent taxes and secures delinquent tax returns through the fair and equitable application of the tax laws, including the use of enforcement tools when appropriate, and educates taxpayers to facilitate future compliance. By doing so, Collection protects and promotes public confidence in the U.S. tax system. Overall dollars collected by SB/SE Collection increased 8 percent in fiscal year (FY) 2019 to a record level of \$39.5 billion (as compared to \$36.5 billion in FY 2018). Collection also achieved a 14 percent increase in the overall number of taxpayer cases closed from 9.6 million cases in FY 2018 to 11.2 million cases in FY 2019.

While employees who work in Collection have a variety of duties, most taxpayers who are personally contacted from this OU will likely receive that contact through a RO, CR, or TE.

Revenue officers primarily work in the Collection OU. Their role is to collect delinquent taxes and secure overdue tax returns. ROs also educate taxpayers on their tax filing and paying obligations and provide guidance and service on a range of financial problems to help taxpayers resolve their tax issues. These employees conduct research, interviews and investigations, analyze financial statements, and contact third parties for information to determine taxpayers' ability to pay their tax bills. ROs conduct face-to-face interviews with taxpayers (and/or their representatives) at their place of business, residence or, on rare occasions, at the RO's office. These interviews may be scheduled or unscheduled (cold calls), depending upon the case. ROs make financial determinations to include installment agreements, hardship determinations, levies of bank accounts and wages, and seizures of real and personal property¹ to satisfy delinquent taxes. They inform taxpayers of their rights under the law while providing quality customer service and ensuring their own personal safety and well-being.

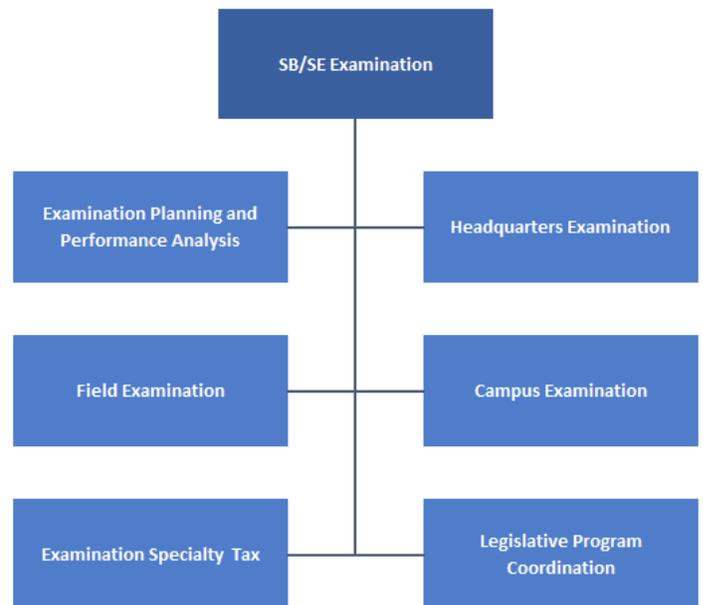
Collection representatives work directly with taxpayers by telephone to resolve tax issues through the collection of delinquent taxes and returns. Examples of tasks may include initiating liens or installment payment agreements and researching taxpayers' ability to pay.

Tax examiners in Collection support CSCO, Offers-in-Compromise (OIC), Centralized Insolvency, and numerous other programs. In CSCO, TEs establish installment agreements and monitor payment activity. In OIC, TEs post and monitor offer payments, and ensure taxpayers remain compliant with the terms of the agreements. In Centralized Insolvency, TEs post and monitor bankruptcy disbursements for bankruptcy cases.

SB/SE Examination

There are six organizations within SB/SE Examination OU:

- **Examination Planning and Performance Analysis** develops the annual SB/SE Examination work plan and produces management information reports.
- **Headquarters Examination** formulates program strategies; provides policy, guidance and technical support for compliance activities in Field, Specialty, and Campus Examination operations; and coordinates workload selection and ensures consistent application of policy, procedures and tax law to effect tax administration while protecting taxpayers' rights.
- **Field Examination** protects the revenue and interests of the Government through post-filing services by helping taxpayers understand and comply with all applicable tax laws and by applying the tax laws with integrity and fairness. This includes effectively managing Field Examination programs to ensure timely and accurate case actions and conducting education and enforcement.
- **Campus Examination** delivers programs and services that educate and help SB/SE customers understand and comply with the tax laws through four campus locations. Campus Examination has a variety of enforcement programs including Correspondence Examination and Automated Underreporter Programs.



1 Real estate seizures do not involve taking immediate physical possession or evicting occupants from the property.

- **Specialty Examination** increases compliance with excise tax, employment tax, estate and gift tax, and Bank Secrecy Act laws by applying the tax laws with integrity and fairness. Specialty Examination provides taxpayers top quality post-filing services for specialty taxes by helping them understand and comply with all applicable tax laws.
- **Legislative Program Coordination** serves as the single coordination point for legislation affecting SB/SE Examination and leads the implementation of any new legislation.

The SB/SE Examination OU conducts timely and quality examinations of taxpayers while encouraging compliance with tax laws. Most taxpayers who have personal contact with SB/SE Examination employees will do so through an RA or TE.

Revenue agents primarily work in the Examination OU. Their role is to conduct independent examinations and related investigations of income tax returns to determine the correct tax liability, identify situations with potential or understated taxes, and recognize potential fraud. These employees may also conduct package audits to determine if other required returns such as information, excise, or specialty returns are filed and conduct concurrent examinations or make referrals of these and other returns when warranted. Additionally, RAs interact with taxpayers and their representatives to provide examination findings, interpretations of tax laws and regulations, and other necessary information to ensure future compliance.

Tax compliance officers are responsible for planning and conducting independent examinations in an IRS office setting. Examinations include sole business proprietors, and individuals with business and other supplemental income. Tax Compliance Officers in SB/SE also conduct employment tax examinations and process professional employer organization certifications.

Estate tax attorneys examine estate and gift tax returns on behalf of the IRS. The estate and gift taxes cover gratuitous transfers of property between individuals or estates of deceased individuals. Estate Tax Attorneys analyze highly complex, factual, legal, and valuation issues to identify unreported or underreported assets and determine the correct tax liability. Estate Tax Attorneys interact with taxpayers and representatives to discuss findings and to explain interpretations of tax laws and regulations where precedents are often conflicting.

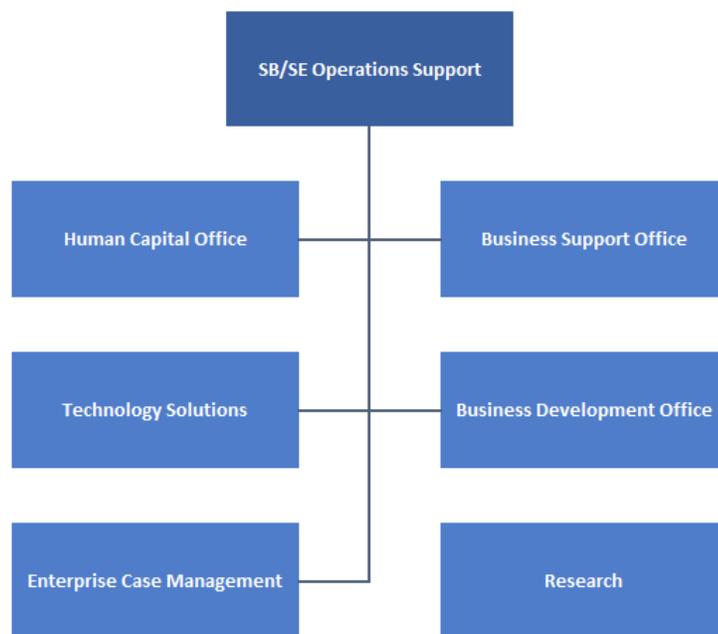
Tax examiners in Examination support Correspondence Exam, Automated Underreporter, and numerous other programs. In Correspondence Exam, these employees perform examinations by mail on single-issue audits. In Automated Underreporter, these employees provide document matching of returns to third-party payer documents and correspond with taxpayers to obtain missing information.

SB/SE Operations Support

The SB/SE Operations Support (OS) OU provides “one location” for the delivery of all SB/SE support needs including research, information technology support, budget, and human resources management. Most OS employees are either Management/Program Analysts or Tax Analysts, who are responsible for a wide range of support activities including providing guidance and technical advice to all of SB/SE.

There are five organizations within SB/SE Operations Support OU:

- **Human Capital Office** supports SB/SE human resources needs (e.g., training, performance management, hiring/staffing, leadership



development, organizational change policy, information management, and continuity of operations) and the IRS Disaster Assistance Program.

- Business Support Office provides SB/SE financial planning and budgetary processes and Servicewide programs, such as penalties, interest, and fraud policy/development.
- Technology Solutions supports innovative and technology solutions to facilitate effective and efficient tax administration.
- Business Development Office supports research, oversight agency liaison, strategy, Servicewide knowledge management (SKM), and change management (CM) efforts for SB/SE.
- Enterprise Case Management supports an enterprise-wide solution comprised of data-driven applications and services which will streamline processes and reduce the number of duplicate applications related to case management.

FY 2019 SB/SE Program Highlights

Knowledge Management

According to **Publication 5382, Internal Revenue Service Progress Update – Fiscal Year 2019 – Putting Taxpayers First**, the IRS anticipates that up to 31 percent of its current workforce (about 19,000 full-time employees) will retire within the next five years, creating a significant risk of a large knowledge and experience gap. To mitigate this risk, the **Fiscal Year 2018-2022 IRS Strategic Plan** includes, within Goal 4², the development of standard processes for knowledge transfer when employees join or leave the agency to encourage the transfer of institutional knowledge. The SKM Program addresses this Strategic Plan item by using a shared platform and standardized tools, resources, and processes to more efficiently and effectively cultivate internal collaboration and knowledge sharing and preserve institutional knowledge before it walks out the door. This program helps employees actively capture, share, and effectively use corporate knowledge and expertise to cope with transition and retirements, and to serve the American taxpayer.

The SKM program includes four main components:

- **Connecting** - includes community of practice (CoP), mentoring, and coaching. A CoP is where a group of employees learn from each other to solve work problems, develop and share best practices, guidelines, and procedures, and innovate to create breakthrough ideas, knowledge, and products.
- **Sharing** – includes a virtual library and Self-help Online Tutorials or SHOTs (typically three minutes or less “how to” videos on important IRS-related topics). A virtual library is a resource to locate the knowledge and information needed to perform or better perform job duties with content organized by bases or topics, like a brick and mortar library, and presented in a wiki format.
- **Learning** – includes an IRS learning portal, which is a one-stop location for IRS-wide education and training resources.
- **Improving** – includes business data intelligence, process automation, and knowledge mapping.

SB/SE has made significant contributions to this SKM initiative and serves as a model for other business. In FY 2019, there were 18 SB/SE-owned knowledge bases (topics) on the IRS Virtual Library. During FY 2019, the IRS Virtual Library had nearly 350,000-page views. SB/SE also hosted SKM outreach to more than 11,000 employees. This included 15 Saba³ training events, three of which had more than 1,000 participants, and covered topics such as Providing Testimony, Installment Agreements, and Understanding Fraud in Real Estate Transactions. SB/SE also hosted 45 other presentations, and covered topics such as group meetings, continuing professional education, and new hire orientation. In addition, SB/SE published more than 75 SKM articles for SB/SE and IRS employees in internal publications.

² Goal 4 – Cultivate a well-equipped, diverse, flexible and engaged workforce.

³ Saba is an internet browser-based application that allows employees who are geographically dispersed to participate in a single virtual live event via the IRS network.

- For the second year, SB/SE has been acknowledged, receiving Excellence in Knowledge Management Award at the SKM Summit and an
- IRS Commissioner's Award for SKM.

Non-filer Strategy

As discussed in the [Understanding the Latest Tax Gap Estimates and Overall Taxpayer Compliance Fact Sheet \(September 2019\)](#), the IRS periodically estimates the tax gap to gauge historical overall compliance of all types of taxpayers with their federal tax obligations. In general, these tax gap estimates historically reflect a relatively high and stable voluntary tax compliance rate. Sustaining and improving taxpayer compliance is important because small declines in compliance cost the nation billions of dollars in lost revenue and shift the tax burden away from those who don't pay their taxes onto those who pay their fair share on time every year. Understanding the elements of the tax gap enables policymakers and tax administrators to make better decisions regarding how to allocate resources used to administer the tax code. All initiatives by the IRS to improve tax collection are intended to narrow the tax gap and increase compliance. These estimates also inform policymakers of potential areas that need to be addressed in other ways.

One of the three main components of the tax gap is the non-filing tax gap, which is the tax not paid on time by those who don't file the required returns on time (or not at all). It's estimated at \$39 billion (excluding employment tax)⁴.

Tax gap studies through the years have consistently demonstrated that third-party reporting significantly raises voluntary compliance, and compliance rises even higher when income payments are also subject to withholding. The IRS also has an array of programs aimed at supporting accurate tax filing and helping address the tax gap. These range from working with businesses and partner groups to a variety of education and outreach efforts.

Toward that effort, SB/SE has implemented a collaborative, robust non-filer strategy that ties into the first goal in the [Fiscal Year 2018-2022 IRS Strategic Plan](#) to *empower and enable all taxpayers to meet their tax obligations*. The SB/SE vision is to reduce the non-filer portion of the tax gap at the earliest intervention with the least burden on taxpayers and includes three overall goals:

- Identify and prioritize non-filer work that maximizes dollars collected.
- Promote continued filing compliance through programs built to encourage voluntary taxpayer filing.
- Increase operational efficiencies across existing non-filer programs.

In FY 2019, SB/SE took these specific actions toward these non-filer goals:

- Stood up the Non-filer Program Executive Steering Committee (ESC), in June 2019, to serve as the primary coordination body for the IRS on matters related to nonfiling of tax returns. This ESC defines performance goals, priorities, and expectations for non-filer activities that promote voluntary compliance and increase operational efficiencies across all SB/SE non-filer programs.
- Created a Non-filer Research and Analytics Council that supports the ESC and oversees the research plan, coordinating across the enterprise to identify knowledge and resources for research projects.
- Launched non-filer initiatives including updating the taxpayer delinquent investigation allocation models and rules within the Inventory Delivery System, developing an educational letter to timely treat Tax Year 2018 potential non-filers or stop filers and creating an interactive reporting tool for non-filer metrics.
- Implemented changes that reduced processing time for Collection Automated Substitute for Return (ASFR)⁵ cases, which improved case processing and increased flexibility, allowing more time to address toll-free phone level of service.

⁴ Tax Years 2011 – 2013.

⁵ The SB/SE ASFR program assesses tax by obtaining delinquent returns, or creating assessments based on reported income information when a person fails to submit a required return.

- Created a Non-filer Strategic Performance Dashboard, which allows for impact and value determination of program/process operational changes on voluntary compliance, revenue collected, and operational efficiencies.
- Conducted focus group interviews at the 2019 Nationwide Tax Forums on bringing taxpayers back into filing compliance.

Fraud

SB/SE is home of the IRS Fraud Program Office, where fraud technical advisors provide fraud policy and operations support to all IRS operations. The office helps develop indicators of fraud into referrals to IRS Criminal Investigation (CI) or recommendations to assert civil fraud penalties. SB/SE leadership emphasized strengthening compliance activities, including identification and development of civil and criminal fraud cases, when appropriate, instilling a commitment of our SB/SE compliance employees to fraud awareness as we continue to maintain a visible, robust presence in many different and emerging areas of non-compliance. An example of this emphasis is the collaboration between SB/SE and CI to create a fraud awareness video for IRS employees highlighting the importance of the civil fraud referral program. SB/SE also partnered with CI field offices in conducting fraud awareness workshops in numerous locations. Additional examples of SB/SE actions to emphasize identification and development of civil and criminal fraud cases, when appropriate include:

- Participation in CI's National Compliance Council meeting where SB/SE and other IRS business units shared updates on fraud activity and projects in their respective areas with the Joint Chiefs of Global Tax Enforcement, which include the United States, United Kingdom, Canada, Australia and the Netherlands (known as the J5).
- Collaboration within SB/SE and with other business units to strengthen fraud programs through identification of subject matter experts to better understand the unique fraud issues of taxpayer segments and help facilitate a more efficient referral process; reviewing processes, training materials and Internal Revenue Manuals, hosting discussions to determine barriers to identifying and developing fraud cases, and identifying changes to reduce burden and increase efficiencies.
- Developed fraud lessons to include advanced technical training and delivered new hire training on employment tax.
- Provided hands-on learning sessions for Field Collection covering collection techniques, suits, international issues, and in-depth financial analysis.
- Collaborated with IRS Chief Counsel and the Department of Justice Tax Division to identify opportunities to better address noncompliance in the employment tax population. These opportunities included data analytics to identify the most egregious noncompliant employers along with focused attention on efficient resource allocation; communications; training on enhanced, complex enforcement and investigative techniques; and when appropriate, civil/criminal referrals. Part of this initiative included 96 educational/outreach visits where ROs made field calls in pairs and informed business owners about ways to catch up with back payroll taxes, how to stay current, and the potential for civil and criminal penalties.
- Issued summonses and levies, executed seizures of property, and initiated civil suits when appropriate. ROs are also trained to recognize badges of potential fraud and, in FY 2019, Field Collection increased the number of fraud referrals to CI over prior year levels, and referrals in development were higher.

The SB/SE business unit's efforts helped strengthen the way the IRS addressed the topic of fraud, as presented in the [Internal Revenue Service Progress Update – Fiscal Year 2019 – Putting Taxpayers First \(Publication 5382\)](#). Some examples include:

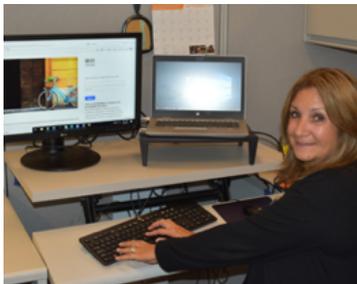
- Reprogramming IRS information technology systems with special focus on return processing, payment and fraud detection systems.
- Focusing on important national law enforcement priorities such as refund fraud, tax-related identity theft, unscrupulous return preparers and employment taxes, and money laundering, currency violations and terrorist financing.
- Identifying schemes that involve individuals who use genuine identities to prepare and file fictitious tax returns to generate fraudulent claims for refund.

- Continuing to focus efforts on payroll taxes withheld by employers, which accounts for nearly 72 percent of all revenue collected by the IRS and is a significant challenge for the nation’s tax system.
- Continuing to work diligently to safeguard the security of IRS systems and taxpayer data, battling increasingly sophisticated and frequent efforts by cybercriminals to steal data, file fraudulent refunds, and infiltrate IRS systems.

Taxpayer Digital Communications

The SB/SE business unit has identified Taxpayer Digital Communications (TDC) as a high-priority initiative to further improve the ability to communicate with taxpayers through digital channels and improve the user experience. Technology Solutions is delivering the first SB/SE Digital Innovation Roadmap. Once deployed, this modernized roadmap will demonstrate capabilities that will enhance the IRS customer experience. This roadmap will support the functionality of TDC initiatives, including text chat, authenticated secure messaging, and secure file transfer solutions. Future efforts could include virtual assistance, co-browsing, and automated chatbots.

The SB/SE Collection OU continued to focus on initiatives to not only increase level of service and lower average call handle time, but also collaborated with their Wage and Investment (W&I) peer OU to enhance the overall taxpayer experience. Specifically, they incorporated proactive chat into the text chat program, and rolled out authenticated chat in FY 2019, expanding the initiative to three additional ACS call sites. In FY 2019, Collection launched the Customer Call Back (CCB) initiative where taxpayers who received a balance due notice and called the IRS for assistance were given the option to receive a return call instead of waiting on hold. The CCB was successful, with 74 percent of callers accepting the callback option and 90 percent accepting the return call. While both efforts are still considered in to be in a pilot phase, the results are very promising.



Brookhaven Exam Technician Vanessa Allgeier provides assistance to taxpayers and practitioners using our Taxpayer Digital Communications.

The SB/SE Examination OU uses TDC in Correspondence Examination where audits are traditionally conducted via mail. With secure messaging, the IRS and the taxpayer can share messages and supporting documents through a secure portal reducing the need for phone calls and mailing documents to complete an examination. Since the pilot began in December 2016, two system improvements have been implemented – the inclusion of an auto message to acknowledge the receipt of messages with attachments and the implementation of Guided Help that allows taxpayers to self-route and screen their cases. In FY 2019, SB/SE Examination expanded the TDC pilot to one TE group in the Brookhaven Campus with the goal of improving service to taxpayers through technology.

Virtual Currency

As cited in the [Internal Revenue Service Progress Update – Fiscal Year 2019 – Putting Taxpayers First \(Publication 5382\)](#), one of the new and emerging compliance areas for the IRS is virtual currency where the Service is focusing enforcement activities, outreach, and education. For example, the 2019 Form 1040 has been modified to include an inquiry regarding the acquisition or disposition of any virtual currency. In 2019, the IRS sent [educational letters](#) to more than 10,000 taxpayers who may have failed to properly report virtual currency transactions. The letters explained the tax obligations associated with virtual currency and how taxpayers could correct past filing and reporting errors. [IRS Notice 2014-21](#) provides additional information on virtual currency, including its treatment as property for federal income tax purposes, and guidance on how general federal tax principles apply to virtual currency transactions. Virtual currency, also



ACS Detroit “Text Chatters” (left to right) Melanie Spidell, Vicky Lee, Antonia Wilburn, and Stephanie Smith. Missing from the picture: Katina Wafers, Diane Sant, Marlin Woodruff, Michael Bivins, Rhonda Davis, Carol Sandlin, Nicole Snow-Johnson, and Debra Johnson.)

called cryptocurrency, will remain an important focal point for the IRS in 2020 and directly ties to the IRS' second goal in the [Fiscal Year 2018-2022 IRS Strategic Plan](#) of *protecting the integrity of the tax system by encouraging compliance through administering and enforcing the tax code.*

SB/SE supports the focus on this area through internal collaboration with IRS Chief Counsel and other business units, including the establishment of a virtual currency team to assist in resolving compliance issues. In FY 2019, SB/SE Examination began virtual/cryptocurrency audits and Bank Secrecy Act examinations of virtual currency exchanges and kiosk operators while SB/SE Collection began specialized training for subject matter experts.

As the virtual currency landscape is continuing to evolve at a rapid pace, SB/SE is updating specific instructions to account for changes. We advised taxpayers to list virtual currency assets and include their value on

Forms 433-A (Collection Information Statement for Wage Earners and Self-Employed Individuals), 433-B (Collection Information Statement for Businesses) and 433-F (Collection Information Statement). Taxpayers use these forms when they owe a balance they cannot immediately pay. We're also updating the related instructions in publications 1854 (How to Prepare a Collection Information Statement, 433-A), 5059 (How to Prepare a Collection Information Statement, 433-B) and Form 656 (Offer-in-Compromise). Additionally, SB/SE will review and update all related guidance and resources currently available on cryptocurrency issues, including an update of [Virtual Currencies Webpage](#).



Virtual Currency subject matter experts from Field Collection received specialized training from the Collection Virtual Currency Team in April 2019 in Tampa, FL.

SB/SE Program Priorities

The [Fiscal Year 2018-2022 IRS Strategic Plan](#) serves as a roadmap to guide IRS resource decisions, programs, and operations. It keeps the Service on track to meet the changing needs and expectations of our nation's taxpayers and members of the tax community who serve taxpayers. This plan helps the IRS transform the taxpayer experience in ways that meet their needs, while increasing our operational efficiency and effectiveness. SB/SE established high-impact priorities to address key OU initiatives. Highlights of SB/SE FY 2019 accomplishments toward the six goals outlined in the Strategic Plan are detailed below.

★ GOAL 1 – Empower and enable all taxpayers to meet their tax obligations.

The IRS is dedicated to improving the taxpayer experience, so taxpayers and their representatives can understand and meet their tax obligations with as little burden as possible. The aim is to increase voluntary compliance by simplifying the processes for tax filing, correction and payment, improving education and outreach on taxpayer rights and obligations, and modernizing and expanding service channels to meet taxpayer needs, as described in the [Internal Revenue Service Progress Update – Fiscal Year 2019 – Putting Taxpayers First \(Publication 5382\)](#). Below are some of SB/SE's FY 2019 priorities related to this important first goal of the [Fiscal Year 2018-2022 IRS Strategic Plan](#).

Legislation Implementation

The **Tax Cuts and Jobs Act** (TCJA) was signed into law in 2017. Most of the tax law changes were effective for tax years after December 31, 2017, through December 31, 2025. To assist taxpayers in meeting their tax obligations, Examination provided guidance for taxpayers and tax practitioners through outreach, IRS.gov information, and social media. SB/SE trained employees on the tax law changes to properly conduct examinations and other compliance activities.

Additionally, the IRS implemented TCJA changes to section 965⁶ of the IRC, which included supporting efforts to publish final regulations that provide guidance for determining the amount of deferred foreign income to be included in gross income and procedures for reporting that income on the taxpayer's return. The IRS also published new forms to help taxpayers report this income and posted several frequently asked questions on the IRS web page to clarify existing guidance. SB/SE created and sent taxpayer notices to those who elected to pay the tax in installments, reminding them that their second installments were due with their income tax payments for 2018. The IRS also created a unit to receive and process consent and transfer agreements submitted by taxpayers pursuant to section 965(h).

The **Taxpayer First Act** (TFA) was signed into law in July 2019 and included several provisions to improve taxpayer service and ensure the IRS continues to enforce tax laws in a fair and impartial manner. A key component of the TFA affecting operations was a change in notice requirements for third party contacts effective August 15, 2019. SB/SE updated guidance and the third-party contact letters to reflect the requirement to notify taxpayers 45-days before third-party contact under the new provisions. Taxpayers may also request a report of third-party contacts at any time, either verbally or in writing. Employees ensure taxpayers understand their right to receive this report and assist with those requests.

Throughout FY 2019, the SB/SE Examination and Collection OUs shared information with taxpayers and tax practitioners through stakeholder and industry meetings, posting information on IRS.gov and social media, including twitter and Facebook, to help taxpayers understand and meet their tax obligations, especially with recent tax law changes. Additionally, we updated notices, letters, and publications to ensure taxpayers received clear guidance.

Civil Penalties and Granting Systemic Relief of Estimated Tax Penalty

SB/SE oversaw the administration of approximately 40 million civil penalty assessments equating to more than \$29 billion and the abatement of more than 4 million civil penalties equating to nearly \$12 billion. For example, SB/SE identified changes to tax computations and withholding from the TCJA that could cause an increase to the estimated tax (ES) penalty on individual taxpayers and developed a tool to systemically apply the waiver of ES penalties granted under **Notice 2019-25**. This tool adjusted the accounts of approximately 440,000 taxpayers who qualified for relief but didn't claim it for approximately \$40 million in ES penalties. By automating the process, SB/SE reduced the taxpayer burden of having to complete a Form 843, Claim for Refund and Request for Abatement, and saved IRS resources to manually work the claims. An August 2019 **news release** and subsequent reminders notified taxpayers to not send in claims during the recovery.

Automated Collection System Enhancements

Throughout the U.S. there are 17 ACS toll-free telephone operations, referred to as ACS calls sites, and one in Puerto Rico. These ACS call sites provide taxpayers and their representatives the opportunity to resolve balance due or delinquent return issues. The ACS call sites also contact taxpayers who are delinquent and take enforcement actions to bring them into compliance. In FY 2019, ACS redesigned notices to make them easier to understand and improve response rates. SB/SE also incorporated text chat enhancements with a focus on improving the level of service provided to taxpayers.



General ACS Collection recognizes the talents of employees on a large-scale manual refund case. John Higgins was able to locate and identify which levies were issued in error and needed to be refunded back to the taxpayer, ensuring the taxpayer received their refund in a timely manner. Pictured from the left: Martin Jagodzinski (frontline manager), John Higgins (employee) and Joseph Giglia (operation manager).

⁶ Section 965 requires the inclusion in gross income certain deferred foreign income of a U.S. shareholder in the last taxable year that begins before January 1, 2018. This section also allows the taxpayer to elect to pay the tax in eight annual installments.

Online Resources

The SB/SE Collection OU promoted the use of online resources to provide taxpayers with additional channels for obtaining information. When taxpayers request account transcripts online, the IRS alerts them of any unfiled returns, provides guidance on how and where to file those returns, and provides information on payment options. This makes it easier for taxpayers to resolve their compliance issues. The IRS's Online Payment Agreement allows taxpayers (in certain circumstances) to establish a payment agreement online. The number of Online Payment Agreements established (which include agreements to fully pay, short term payment plans, long term installment agreements, and revisions) increased 9 percent, from more than 993,500 agreements in FY 2018 to nearly 1.1 million agreements established in FY 2019.

Interpreter Services

The Operations Support OU facilitated the use of interpreter services to more than 2,700 limited English-speaking taxpayers to enable them to meet their tax obligations using Over the Phone Interpreter (OPI) Services. The OPI Service is a phone translation service that brings a skilled language interpreter into a three-way telephone conversation with an IRS employee and a taxpayer. More than 170 languages are available for translation to assist taxpayers with meeting their tax responsibilities.

National Tip Reporting Compliance

The practice of tipping is now prevalent in many industries. Over the past several years, tipping in the food and beverage industry has expanded and customary tip rates have increased. State gaming laws have also expanded to allow commercial gaming businesses, such as casinos, to operate in more than 40 states. The IRS National Tip Reporting Compliance Program serves all industries where tipping is customary. In addition to gaming and food and beverage, this includes large and small businesses, spas, valets, golf and ski resorts, amusement parks, and transportation. The IRS designed the Gaming Industry Tip Compliance Agreement (GITCA) Program, established in May 2003, to promote compliance by gaming industry employers and employees. In 2019, the IRS, including SB/SE, expanded its presence in the gaming industry by updating tip agreements with revised tip rates across the country.



GITCA Program outreach to casino workers.

Disaster Relief and Outreach Provided to Individuals and Businesses

SB/SE has responsibility for the IRS Disaster Program Office, which administered tax relief to 29.6 million individual taxpayers and 9.6 million businesses affected by federally declared disasters in FY 2019. A communication plan focused on informing taxpayers through monitoring disaster related conditions and shared general disaster relief information through social media (e.g., tweets before Hurricane Dorian and tweets on how a disaster is declared and how-to backup financial records, etc.).

For example, providing disaster relief for our Specialty Examination Program taxpayers, SB/SE announced in August 2019, that to minimize or prevent disruptions to the supply of fuel for diesel-powered highway vehicles due to Hurricane Dorian, the IRS would not impose a penalty when dyed diesel fuel was sold for use or used on the highway in Florida.

★ Goal 2 – Protect the integrity of the tax system by encouraging compliance through administering and enforcing the tax code.

The second goal of the [Fiscal Year 2018-2022 IRS Strategic Plan](#) is IRS's key responsibility to ensure taxpayers comply with the tax law. The IRS continues to develop innovative approaches to understanding, detecting, and resolving potential non-compliance to maintain taxpayer confidence in the tax system.

Tax Cuts and Jobs Act Training

In FY 2019, SB/SE provided extensive training to ensure employees correctly interpreted and applied 29 of 119 TCJA provisions for which SB/SE had oversight. SB/SE developed and provided training to more than 4,500 employees on key provisions, including the qualified business income deduction, IRC 965(h) transfer agreements, and levies. These efforts helped to ensure SB/SE employees were knowledgeable of TCJA provisions to provide accurate responses to taxpayer inquiries. Additionally, to help tax professionals gain a better understanding of how the IRS implemented the TCJA, the Service posted [IRS.gov](#) internal [TCJA training materials](#), categorized by audiences - small businesses, large businesses, and international and tax-exempt entities.



IRS employees participating in TCJA training in Chicago, IL.

Information Technology Advancements

SB/SE provided integration support to engage information technology resources in the deployment of new technologies by implementing legislation that administers and enforces the tax code, thus ensuring taxpayers have greater opportunities to satisfy their tax filing and payment obligations. For example, the Online Payment Agreement is a digital self-service tool, providing balance-due individuals and business taxpayers the resources and technology needed to establish their own installment payment agreement or short-term extension to pay virtually, saving the IRS substantial resources and the taxpayer time and money. In FY 2019, SB/SE deployed new functionality that allows taxpayers to view the status of their current installment agreement within their IRS online account, a demonstration of the IRS' commitment to improve the overall taxpayer experience.

Syndicated Conservation Easements

SB/SE Examination has had a keen focus on syndicated conservation easement transactions collaborating with peer IRS business OUs and organizations. Taxpayers, return preparers, appraisers, and others involved with an improper or overvalued conservation easement may be subject to various penalties. Training and guidance provided to employees enabled them to properly address the issue.

Micro-captive Insurance

In August 2019, the Deputy Commissioner for Services and Enforcement delegated resolution authority to resolve open examinations involving taxpayers who entered into abusive micro-captive insurance

transactions. SB/SE Examination collaborated with other IRS organizations to execute a strategy to address this area of noncompliance.

Abusive Promoters and Transactions

SB/SE Examination identified various individuals (known as promoters) and evaluated their activities to determine if they conducted or promoted abusive tax activities. SB/SE analyzed information collected and used it to determine the most appropriate enforcement actions. In 2019, enforcement actions included examinations, injunctions, sanctions and penalties.

Marijuana

A business engaged in the sale and/or production of marijuana, while illegal under federal law, remains obligated to pay all applicable federal taxes that apply to any legally sourced trade or business. The Service focused on positively affecting filing, payment, and reporting compliance on all businesses involved in the growing, distribution and sales of marijuana. SB/SE Examination participated in developing a strategy to evaluate compliance through examinations and provided guidance and resources to conduct quality examinations and ensure taxpayers report the correct tax liability.

Revenue Officer Compliance Sweeps

Field Collection initiated revenue officer compliance sweeps (ROCS), where ROs travel to areas with many high-risk, egregious and/or high dollar unassigned cases, and there is little to no RO staffing. The goal was to promote resolution of tax compliance issues through face-to-face meetings with taxpayers. These visits can be either scheduled or unscheduled (cold calls). IRS Media Relations highly publicized these ROCS through releases with statewide and regional press and communication outlets to help promote taxpayer and community awareness of SB/SE RO presence, providing visual evidence to taxpayers that the IRS is applying the tax law in a fair and equitable manner. Based on the success of these geographical-based ROCS, SB/SE plans to launch issue-based ROCS in FY 2020.

High-Profile Enforcement Actions

In August 2019, Field Collection conducted one of the largest seizures of business assets in recent history to bring an egregious employment taxpayer into compliance. The seizure team consisted of approximately 30 employees, including ROs, Treasury Inspector General for Tax Administration special agents, a Counsel attorney, and support from state law enforcement. Within 60-days of the seizure, the collection case was resolved through full payment of the liability.

Gig Economy

SB/SE Examination collaborated with other IRS business OUs and organizations and external stakeholders to develop a compliance strategy for the gig economy. The objective was to identify areas of non-compliance and determine ways to ensure that taxpayers have adequate information to accurately report and pay taxes related to gig economy income. In FY 2019, Examination began analyzing the industry and developed a communication plan that resulted in the new **Gig Economy - Tax Center** (formerly, the Sharing Economy Tax Center). Gig workers and platform companies involved in the IRS Online Services user-testing study provided input into the website redesign.

Return Preparer Compliance

Examination continued its focus on return preparer compliance and preparer misconduct through outreach and education with taxpayers and return preparers, and enforcement actions, such as examinations/audits.

SB/SE conducted approximately 1,500 return preparer visits in FY 2019 focused on evaluating return preparer due diligence and electronic return originator requirements.

Certified Professional Employer Organizations Program

The IRS created the Certified Professional Employer Organizations (CPEO) Program as a result of new legislation. This voluntary program allows the IRS to treat a CPEO as the employer solely liable for the payment of federal employment taxes on wages it pays to their customer's employees. Under the program, CPEO applicants and approved CPEOs must meet annual and quarterly compliance requirements and the principles must pass background investigations. Some items the IRS checks to verify CPEO compliance include verification that all required forms are filed, audited financial statements reflect positive working capital, and all attestations are present and contain the correct signatures. Failure to meet all requirements may result in suspension and revocation of CPEO status. Examination conducted the first annual reviews for CPEOs in FY 2019.

Employer Shared Responsibility Payments

The Affordable Care Act required applicable large employers (ALE) to offer affordable health coverage to full-time employees and their dependents, also known as the employer mandate. Those that do not offer coverage might be subject to the Employer Shared Responsibility Payment (ESRP). The determination of whether an ALE is liable for an ESRP is based on the information from Forms 1094-C (Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns) and Form 1095-C (Employer-Provided Health Insurance Offer and Coverage) filed by the ALE and the individual tax returns of the ALE's employees. The Examination ESRP unit in the Ogden Campus continued to review correspondence received to determine whether the ALE was liable for the ESRP in FY 2019. The unit also identified ALE information return non-filers and asserted the appropriate penalties.

Backup Withholding

To improve compliance with backup withholding requirements, Examination coordinated a compliance strategy that addressed internal guidance and procedures and taxpayer outreach. In FY 2019, a new Backup Withholding Unit was established in the Cincinnati Campus to send notices to those who did not file a Form 945 (Annual Return of Withheld Annual Income Tax) or with missing and incorrect Taxpayer Identification Numbers on information returns. The revised version of the backup withholding notice (CP2100) was released in FY 2019. The IRS issued communications regarding backup withholding to taxpayers and the payroll industry through [e-News for Small Businesses](#), [e-News for Payroll Professionals](#), [IRS Tax Tips](#), and social media.

★ Goal 3 – Collaborate with external partners proactively to improve tax administration.

To support the nation's tax system, the IRS must work with partners inside and outside the tax community to improve service and outreach to taxpayers, enhance collaboration, and share best practices. The IRS is committed to strengthening and expanding its partnerships with stakeholders invested in and affected by tax administration. Outreach efforts also include IRS communications to share key tax administration information with taxpayers across the nation. More specific information on IRS' activities tied to this third goal are included in the [Internal Revenue Service Progress Update – Fiscal Year 2019 – Putting Taxpayers First \(Publication 5382\)](#). SB/SE priorities are discussed below.



The Collection Inventory Delivery & Selection Federal Employee Retiree Delinquency Initiative team met with top Civilian and Military Officials at the Department of Defense to discuss compliance strategies. Pictured from the left: Suzanne Thomas, Rudy Munoz, Vicki Koranda, and Emilie Frazier.

Federal Payment Levy Program

The Federal Payment Levy Program (FPLP) resulted through the Taxpayer Relief Act of 1997 legislation and allows for the collection of overdue taxes through a continuous levy on certain federal payments disbursed by or administered through Bureau of Fiscal Service (BFS). These payments include federal employee retirement annuities, federal payments made to contractors/vendors doing business with the government (including Defense contracts), Medicare provider and supplier payments, etc. SB/SE renegotiated a new three-year interagency agreement with the BFS that governs the cost and billing between the agencies for implementation of the FPLP. This new agreement will save the IRS \$9 million dollars from FY 2020 to FY 2022. The two agencies also reduced the overall costs billed to the IRS under the current agreement resulting in the final FY 2018 costs billed to the IRS of approximately \$2.7 million dollars less than previously agreed to, and the FY 2019 costs of approximately \$3.8 million dollars less than previously negotiated.

National Tax Forums and Other Outreach

SB/SE continued outreach efforts to share information to assist taxpayers and tax practitioners with understanding the tax laws and meeting their tax obligations. More than 11,000 practitioners attended the Tax Forums with SB/SE topics attracting large numbers at all locations. For example, Examination executives participated in the 2019 Nationwide Tax Forums presenting two important topics – TCJA and backup withholding. SB/SE employees provided on-site and telephone support to ensure attendees had a positive and informative experience. Executives and managers engaged with tax practitioners, participating in industry/professional meetings (in person and virtually), Tax Talk Today webcasts, IRS.gov, and through social media.

Private Debt Collection Program

Collection continued assigning individual accounts to private collection agencies (PCAs) to collect tax debts the IRS is not actively pursuing. In June 2019, the IRS began assigning inactive business accounts to PCAs. Business accounts include delinquent balances owed by corporations, partnerships, and limited liability corporations, as well as employment tax and excise tax delinquencies. The addition of business accounts to the program means that many more taxpayers will be contacted to resolve their tax bills.

From the beginning of the Private Debt Collection (PDC) Program in April 2017, through the end of FY 2019, the IRS assigned 2.4 million cases to the PCAs and generated more than \$300 million in revenue. With the revenue generated from the PDC Program, the IRS hired 100 special compliance personnel (SCP) in FY 2019 to work a dedicated ACS inventory. There are plans to expand the SCP Program further in FY 2020 with the hiring of an additional 200 employees.



The Private Debt Collection teams conducted PCA site visits in upstate New York and met in Ogden, UT, to establish FY 2020 goals.

Passport Certification Program

Through September 2019, Collection transmitted more than 430,000 taxpayer certifications to the Department of the State (DoS) as part of the Fixing America’s Surface Transportation Act, which requires the DoS to deny passport applications or renewals while the taxpayer remains certified as a significant tax debtor by the IRS. Many taxpayers have contacted the IRS to resolve their liabilities, resulting in \$1.38 billion in taxpayer

payments. This partnership with the DoS has recently expanded to include the revocation of taxpayers' existing passports in some cases, if they have not acted to satisfy their seriously delinquent tax debt.

Disaster Program Office Partnerships

SB/SE Operation Support collaborated with internal and external partners to improve tax administration for taxpayers affected by federally declared disasters:

- Co-led the development of a Disaster Response CoP, which includes IRS executives and subject matter experts from multiple IRS business units.
- Coordinated with the Federal Emergency Management Agency as part of the Disaster Assistance Initiative Program to ensure up-to-date IRS information on [DisasterAssistance.gov](https://www.irs.gov/disasterassistance).
- Delivered disaster tax relief presentations to congressional aids, the Certified Public Accountants associations, and the IRS Disaster Tax Policy Group, which includes IRS executives and/or their senior staff members.
- Collaborated with IRS Communications and Liaison to create a new training course for IRS Disaster Recovery Center volunteers.

★ Goal 4 – Cultivate a well-equipped, diverse, flexible, and engaged workforce.

The future of the IRS depends on a workplace culture that empowers employees to improve the taxpayer experience and uphold the tax code fairly, as described in the [Internal Revenue Service Progress Update – Fiscal Year 2019 – Putting Taxpayers First \(Publication 5382\)](#). Enhanced skills development, succession planning, and knowledge transfer coupled with a forward-looking talent management strategy and modernized training are critical to passing on the leadership skills and institutional knowledge necessary for continued effective tax administration. The IRS has a strong and steadfast commitment to ensuring equity, diversity, and inclusion are integrated into the policies, procedures, and practices used to carry out our mission. SB/SE also supports these commitments and Goal 4. Below are some of our FY 2019 priority highlights.



Employee Engagement – Making a Difference: As an ASFR TE, Jennifer Prieter is always willing to go the extra mile assisting others with complex issues, providing one-on-one coaching to others, and serving as a subject matter expert for new hires course development. She is a dedicated employee and demonstrates the ability to achieve successful results, ensuring the taxpaying public receives the first-class service they deserve. Pictured from the left: Karen Esposito, Jennifer Prieter, Lorraine Dickson, Julia Yeznach, and Shahid Babar (Director).

Hiring

Over the past several years, as the IRS operated under an exception-only hiring policy since December 2010 due to annual declining IRS appropriations, SB/SE and other IRS organizations have been affected. In FY 2019, this changed when the IRS was allocated funding to increase staffing levels. Operations Support worked with stakeholders and the OUs to successfully hire nearly 5,000 employees across all SB/SE

operations. This included promotional and career opportunities for internal employees and external hires. Examination had significant hires for Field RAs, Employment Tax RAs, TCOs, and Campus Examination. Collection also had significant hires which included ROs, ACS CRs, TEs, and Campus Collection personnel. These positions are critical to the health and success of our organization



Field Examination employees take the oath of office during a ceremony in Atlanta, GA. Front row (left to right): Oksana Matveeva, Linda Corona, Edicta Veloz, Steven Diaz, Abraham Makkawi, Kimberley Robinson, and Cherlyn Rosario. Back row (left to right): Watson Reed, Ryan Valliere, James Bird, Maribel Dume, and Robert Leinbach. Far Left: Julie Foerster (South Atlantic Field Exam Area Director).

and afforded promotions and career opportunities to individuals who are part of or wanted to become part of our dedicated workforce.

Training and Skill Development

The arrival of New hires provided opportunities for SB/SE to advance in several areas. Seasoned employees had the opportunity to serve as instructors and ambassadors for new hires, which positively impacted the quality of their training experience. Operations Support worked collaboratively with Examination, Collection, SB/SE Counsel, and Disclosure to update Compliance training materials to incorporate new policies and procedures. These efforts helped to ensure hires were fully trained as a knowledgeable, skilled, engaged and well-equipped workforce prepared to carry out the Service's and SB/SE's mission to educate, serve, and promote taxpayer compliance.



Revenue Agent and Pathways hires from the New York City, Brooklyn, and Bronx posts-of-duty.

We significantly improved the Collection RO training, which streamlined the curriculum for delivery in less time resulting in less training dollars expended. One specific enhancement of the training allowed for the inclusion of practitioner panels. These panels afforded local practitioners and newly hired ROs an opportunity to engage – each gaining an appreciation for the essential role both play in supporting tax administration and facilitating resolution of collection cases. Practitioners also had the opportunity to better understand the training process of developing experienced and technically proficient ROs.

We also redesigned the Examination RA new hire training to include restructured training materials and office audit examinations. The addition of office examinations allows new employees to learn the examination process on less complex audit issues and gain experience meeting with taxpayers and practitioners.

As provided earlier in this document, SB/SE has made significant contributions to knowledge transfer as part of our SKM initiative and serves as a model for other business units in deploying knowledge management across the IRS. In FY 2019, there were 18 SB/SE-owned knowledge bases (topics) on the IRS Virtual Library.



Using Skype as an interactive tool to share information with SB/SE campus new hires.

Strides in this area continue to promote knowledge transfer opportunities between employees.

Forward Looking Talent Management Strategy

In partnership with our W&I business unit peer, we successfully employed otherwise displaced employees from the closure of the Submission Processing operation in Covington, KY. We successfully created three new SB/SE programs: a backup withholding unit (Examination), an IRS-combined annual wage report unit (Examination), and an advisory consolidated receipt unit (Collection). To support

the successful standup, SB/SE OUs collaborated in development and delivery of training and procedures, communications and outreach, workload identification, and establishment of a toll-free line.

★ Goal 5 – Advance data access, usability and analytics to inform decision-making and improve operational outcomes.

The IRS strives to operate more efficiently to provide superior service to taxpayers and their representatives and ensure successful implementation of changes in tax laws. Using analytics, the IRS works continuously to improve all facets of its operations: taxpayer service, enforcement efforts, and a range of internal operations. As technologies continue to evolve, we'll continue to expand digital options, across multiple channels, without ignoring traditional means of taxpayer communications, as described in the [Internal Revenue Service Progress Update – Fiscal Year 2019 – Putting Taxpayers First \(Publication 5382\)](#). Some SB/SE associated priorities are discussed below.

Development of the Program Assessment Model Resource Allocation Optimizer

The Program Assessment Model (PAM) resource allocation optimizer is a tool to be used by SB/SE leadership to inform strategic, data-driven, resource allocation decisions. Leaders provide input on constraints, such as the maximum number of hires who can be trained in a specific area. Then, the PAM optimizer identifies potential placement of new full-time positions (full time equivalents or FTEs) to maximize revenue collection. This process quantifies our intuition about trade-offs in our operations as well as projected costs relating to placement of new FTEs.

Behavioral Based Statistical Models and Analysis

Collection is using statistical models to help predict future taxpayer behavior, including how much of a balance due owed by a taxpayer will be collected over time, whether a case is likely to be resolved by full payment or via an installment agreement, or if a currently not collectible case determination is likely. These models, balanced with policies and prioritization rules, help with data driven decisions to identify the next best case to assign.

Building upon existing research, SB/SE is using behavioral insights to redesign notices and develop new forms of outreach to help taxpayers satisfy their tax obligations. Being able to predict taxpayer behavior using statistical models helps improve the likelihood of a desired outcome by matching the outreach to a given taxpayer's characteristics. Expansions in the analytics portfolio helps maximize limited resources to accomplish tax administration goals such as fairness, reducing taxpayer burden, revenue collection, and ensuring compliance.

Collection also identified new and enhanced methods for internally routing cases. The increase in available data and predictive models helped develop a new method that optimizes routing decisions by using models to maximize case resolution, project future compliance, and expected recovery.

Using Analytics to Gain Efficiencies and Improve Planning

Examination expanded the use of data analytics to identify and implement improvements across various Examination programs. Teams analyzed data to determine whether opportunities existed internally (i.e., procedural changes) or externally (e.g., changes to forms, letters and/or publications). Examination used data analytics and other tools to identify the most non-compliant work and emerging high-risk issues and partnered with IRS's research organizations to access additional analytical and statistical research to guide data-driven decisions. They also began to explore the use of specialized software to analyze virtual currency transactions evidenced by Examination facilitating the successful import of Financial Crimes Enforcement Network data into the IRS's Compliance Data Warehouse database improving our analytical capabilities with work associated with the Bank Secrecy Act.

Closure of Unpaid Assessments Material Weakness

In FY 2019, SB/SE was honored to be part of the material weakness team recognized with an IRS Commissioner Award for closing the IRS's 25-year-old material weakness in internal controls⁷ over unpaid assessments. Within two years, SB/SE and peer business units documented processes and implemented innovative solutions that enhanced the IRS's financial systems, addressing errors in taxpayer accounts and improving internal controls. This achievement led to the elimination of the IRS's last financial material weakness and enabled the IRS to obtain its first unmodified opinion on internal controls in FY 2019. This also helped the IRS improve its credibility with the public and had a positive effect on the Department of the Treasury's Annual Financial Report.

★ Goal 6 – Drive increased agility, efficiency, effectiveness and security in IRS operations.

The IRS is continuing to find ways to streamline and simplify processes and manage expenses to make operations more cost effective, a task necessary for sound financial stewardship—all while remaining dedicated to maintaining the physical and digital security of its systems and taxpayer information, enhancing internal controls, managing risks, and upholding accountability. More specific information on IRS's activities tied to this sixth goal are included in the [Internal Revenue Service Progress Update – Fiscal Year 2019 – Putting Taxpayers First \(Publication 5382\)](#). SB/SE associated priorities are discussed below.

Employee Safety and Security

SB/SE continues to hold employee safety and security as a top priority, and this concern is especially heightened by the number of unscrupulous impersonators of IRS personnel. Highlights of SB/SE efforts during FY 2019 in this area include:

- Collaborated with peer IRS business units to procure and deliver nearly 3,000 smartphones, placing updated technology in the hands of taxpayer facing ROs, affording them navigation capabilities, email and photo capabilities useful in conducting their investigations, and enhanced personal security.
- Developed mitigations to employee safety risks, including standard credential covers, employee safety training, employee verification options for taxpayers and law enforcement officers to use, and identification contact reference cards for field employees to carry that provide three numbers for taxpayers to verify the identity of the employee.

Automated Collection System Improvements

Collection continued to focus on initiatives to not only increase level of service and lower average call handle time, but also collaborated with W&I to enhance the overall taxpayer experience. They enhanced proactive text chat (assistors providing answers to general questions) into authenticated text chat (assistors verifying the taxpayer identity to allow more specific responses) for online payment agreement requests in FY 2019. Several sites currently have this technology with plans for expansion. Collection launched the CCB initiative where taxpayers who received a balance due notice and called the IRS for help were given the option to receive a return call instead of waiting on hold. The CCB was successful, with 74 percent of callers accepting the callback option and 90 percent accepting the return call. While both efforts are still considered in to be in a pilot phase, the results of very promising. The IRS will see larger results when an enterprise solution is developed and deployed for both efforts.

⁷ A material weakness is a deficiency in internal control over financial reporting where there's a reasonable possibility a material misstatement of the company's annual or interim financial statements won't be prevented or detected timely.

Collection Customer Experience Office

The SB/SE Collection Customer Experience Office is responsible for identifying and leading projects that improve the digital experience for internal and external customers. The office is collaborating with several IRS organizations on projects including:

- Development of an online Automated Lien System payoff calculator that will permit taxpayers to obtain a lien payoff figure in the future.
- Identification of potential robotic automation processes that can positively affect level of service.
- Development of a smart phone app for ROs to include various digital capabilities to improve interaction with the taxpayer in the field.

Examination's Efforts to Virtualize Operations

The **Electronic Case Life Cycle** initiative led by Examination with representatives from several IRS business operating divisions mapped a process to create, process, and store electronic casefiles; eliminating Field Examination paper files. In FY 2019, Field Examination began testing the creation of electronic casefiles, which will improve efficiencies in our examination processes by making the files accessible to multiple IRS organizations, like Appeals, and reduce shipping and storage costs.

The Service implemented the **Campus Virtualization Effort** corporate vision of creating and using digital case files in Campus Correspondence Examination instead of paper case files. The Correspondence Examination locations work assigned inventory including paper responses from taxpayers that are mailed or faxed to the respective location. Taxpayer responses can only be viewed by TEs at the receiving location. Digitizing the paper responses provides employees in all campuses the ability to view taxpayer responses enabling a phone assistor to resolve cases, regardless of case location. SB/SE Correspondence Examination has continued to virtualize paper and, in 2019, has exceeded more than 12,000 cases. Using digital images serves as a cornerstone for virtualizing campus Correspondence Examination audits and more efficient inventory management.



Improve Efficiencies - Campus Collection and Headquarters Collection conducted several joint operational/program reviews in FY 2019. These reviews provided both an opportunity to improve efficiencies by validating current work processes and operational priorities; reducing duplicate reviews, and working collaboratively on procedural changes.

Collection's Efforts to Virtualize Operations

Collection developed and deployed an **electronic routing tool** to automate certain search and seizure packages for review/approval, leveraging a streamlined workflow and eliminating a paper process. This effort has helped to expedite the approval process for some of our most significant cases.

SB/SE Field Insolvency piloted an **initiative to reduce the amount of U.S. Postal Service mail** forwarded to various SB/SE Collection Field Insolvency offices by providing an email listing of documents for which employees may request a scanned copy and identifying documents available through other means, such as public access records. These efforts decrease the number duplicate receipts, save on postage costs, eliminate the risk of lost packages and personally identifiable information, and improve tax administration. While initially piloted in two states, due to the success, five additional states have been added every two weeks.



SB/SE Headquarters Collection employees participate in the National Association of Bankruptcy Trustees Conference in Denver, CO. They led sessions promoting the Trustee Refund Turnover Pilot and its benefits, in addition to addressing questions from Chapter 7 Trustees, Trustee Assistants, Trustee Associates, and Software Providers. Pictured from the left: Linda Tomlinson and Michael Mancini.

Employee Driven Teams

The SB/SE business unit originally established the Employee Driven Teams (EDT) Program as a one-time initiative with an objective of capitalizing on employee engagement through identifying operational challenges and developing solutions. However, as we entered the third year, the program continues to grow with the establishment of new teams. The increases in the complexity of the problems being addressed and the expansion of the “teach and transfer” concept has shown a viable need for this program. Participants were introduced to several robust business problem solving tools and concepts, which are also portable to their everyday work environment.

In 2019, five teams concluded their work. While the recommendations ranged in complexity, the results represent a thoughtful approach to tapping into employee investment for the continued improvement of the organization. Here’s a summary of the recommendations:

- **Increase Use of Automation for Paper Forms 9465 (Installment Agreement Requests)** – This EDT made recommendations to achieve the most efficient processing of paper Installment Agreement receipts.
- **Quality Review System** – This team made recommendations to revamp the quality review system by streamlining the process to focus on actions taken to meet account resolution bringing taxpayers into compliance at the earliest opportunity. The team also updated quality attribute 500 tax computation into a new attribute computations.
- **Business Underreporter (BUR) Feedback** – This EDT made recommendations to review the TCO work processes and inventory control and explore the current statutory notice creation process. The team decreased the amount of time spent by clerical staff manually creating the certified mail listing from eight hours per week.
- **Estate and Gift Tax Examination Opening** – This EDT made recommendations to reduce cycle time on cases examined by estate tax attorneys by 10 percent. The team implemented a procedure resulting in more thorough case development before assignment decreasing cycle time by 10 days on estate and gift cases.
- **Social Media Request for Information** – This EDT implemented the recommendation for a request for information to determine social media research tools to use for accessing publicly available information.

Change Management Program

In FY 2019, the IRS and SB/SE saw the convergence of significant issues leading to operational change, which resulted in the establishment of an SB/SE Change Management Office (CMO). SB/SE’s CMO’s close coordination with the IRS CMO throughout the year resulted in the development of a robust embedded structure of certified practitioners, an internal CoP, and a network of change management-educated personnel across SB/SE capable of addressing the identified issues.

Outreach/Community Engagement

In addition to serving the American taxpayer through our work activities, SB/SE employees are actively engaged in community activities. Below are some highlights across the organization, which we are proud to share.

Feds Feed Families

As part of the Feds Feed Families food drive, SB/SE Collection OIC employees at the Memphis Campus created the slogan, “Two Can Tuesday,” and generously donated nonperishable items on Tuesdays.



Annual Coat Drive

At the SB/SE Philadelphia Campus, Insolvency employees conducted their annual coat drive, collecting new and slightly used coats that are distributed to different local organizations that help those in need. This year’s organizational recipient was Opportunities Industrialization Center, a non-profit organization offering development opportunities to economically disadvantaged and unemployed individuals throughout Philadelphia and its neighboring communities. More than 500 coats were collected and donated which will help the center and several charities connected to them. The Opportunities Industrialization Center provides warmth to the men and women returning to the work force and children in homes supported by this organization.



Employee Rides to End Cancer

Fraud Technical Advisor Don Keller participated in his 10th annual Ride for Roswell in June 2019. Riding to end cancer is the passion behind this annual event which gathers thousands of cyclists to raise funds for Roswell Park, a leading cancer center in the nation (New York). This past year, there were nearly 8,000 riders who raised more than \$5.5 million. As part of the 14-member (non-corporate) Midnight Riders team they raised almost \$15,000 and over the years have raised more than \$100,000. Each year, they choose a different route and theme. This year they rode 30 miles with the wrestling theme of *Slamming Cancer*.



Crossing the finishing line

Fraud Technical Advisor Manager Paul Stanish is a volunteer fire fighter. In April 1977, he joined the Spring Mill Fire Company No. 1 in Whitemarsh Township, PA. He’s held every



position in the volunteer fire company, including 20 years as fire chief/ deputy chief and president for 19 years. Currently, he’s also an active member of the Barren Hill Fire Company in Whitemarsh and provides weekend driver coverage several times a month. Paul holds multiple state certifications and National Pro Board Fire Fighter I and II certifications. Furthermore, he’s water-rescue certified and holds an advanced open water dive rescue certification. He attends training every Monday night and has been a top 10 responder for his entire career.



Paul said, “Over my 42-plus years, I have assisted on many emergency situations and each time I think I have seen it all, something new comes along, such as a call the other night of a finger stuck in a blender.”

IRS Tax Volunteers

The **IRS Volunteer Income Tax Assistance (VITA) Program** offers free tax help to taxpayers who generally make \$56,000 or less, persons with disabilities, and limited English-speaking taxpayers who need assistance in preparing their own tax returns. IRS-certified volunteers provide free basic income tax return preparation with electronic filing to qualified individuals. IRS employees have long served as VITA volunteers. These SB/SE volunteers are from the VITA program site at the Buddhist Tzu Chi Foundation in Chandler, AZ, where IRS volunteers have prepared tax returns since 2013. The volunteers say it has been a rewarding experience to provide this service in their community.

Ronald McDonald House Volunteers

Ronald McDonald Houses provide a place for families to call home so they can stay close by their hospitalized child at little to no cost. Many families travel far from home and spend several weeks or months to get treatment for their seriously ill or injured children. Volunteers make the difference in the lives of all the families that come through the doors – cooking, hosting, listening, nurturing, or by simply being there and helping in any way they can. Pictured here are SB/SE employees who prepared lunch for patients and their families at a Chicago Ronald McDonald House.



