



Appeals

Same Mission, New Tools

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APPEALS MISSION

To resolve tax controversies, without litigation, on a basis which is fair and impartial to both the Government and the taxpayer in a manner that will enhance voluntary compliance and public confidence in the integrity and efficiency of the Service.

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What's in dispute?

- Facts
- Legal and procedural guidelines applied to the facts

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Appeals Resolution Toolkits

- **Negotiators**
 - **Facts**
 - **Legal and Procedural Guidelines**
 - **Settlement based on the hazards of litigation**
- **Mediators (neutral third-party)**

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Exporting Resolution Toolkits

- **Early Referral**
- **Fast Track Mediation & Fast Track Settlement**
- **Tax Exempt Bonds**
- **Delegation Order 4-24 & 4-25**
- **Pre-filing Valuation of Artwork**

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Case Study One

- **2004 Schedule C – Two Businesses**

Internet (Web Hosting Services)

- **Car & Truck**
 - **Ordinary & necessary**
 - **Substantiation**

Rental Property Management

- **Repairs**
 - **Capitalization**
- **Car & Truck**
 - **Ordinary & necessary**
 - **Substantiation**

Case Study One

- **Mediated resolution**
 - **Internet Business**
 - **Allowed substantiated ordinary & necessary car and truck expenses**
 - **Rental Property Management**
 - **Renovation repairs were capitalized**
 - **Car and truck expenses were not allowed**
- **All parties signed the FTS Session Report / Evaluation of Process**

Case Study Two

- **2003 loss from the operation of a restaurant**
 - **Loss subject to Passive Activity Rules**
 - **Taxpayer not involved in day to day business operations**
 - **Activities did not rise to material participation**
 - **Inadequate documentation to support material participation**

Exploring the Process

- **Application / Acceptance**
- **Preliminary Review / Scheduling**
- **Mediation / FTS Session**
- **Closing**
- **Evaluation**

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Case Study Two

- **Mediated/Negotiated Settlement**
 - **Basis for settlement**
 - Taxpayer offered substantiation for material participation – deficient
 - Credibility of Taxpayer’s oral testimony – regularly engaged in business operations
 - **All parties signed the FTS Session Report**
 - **Evaluation of Process**

Benefits – Exporting our Toolkits

- Reduces the overall length of the taxpayer's experience with the IRS
- Reduces costs
- All parties to the dispute have a voice in the resolution

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For more information...

Visit Appeals at www.irs.gov/appeals

Careers in Appeals



View an informative video stream entitled, “Appeals—Today and Tomorrow”



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