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RESOLVING TAX SHELTERS: BY SETTLEMENT OR LITIGATION

Thank you for inviting me to speak to the Federal Taxation Committee of the Chicago Bar Association. I believe that I have a public responsibility to speak to tax professionals -- especially lawyers -- about the ongoing actions of the IRS, and the Office of Chief Counsel, to combat abusive tax avoidance transactions, and I appreciate receiving this opportunity to discuss my philosophy for resolving tax disputes before members of the Bar.

The IRS and Treasury have developed a strategic approach to stop the proliferation of abusive tax avoidance transactions. This strategy has three foundations:

First, we are taking actions to reduce taxpayers' willingness to invest in abusive tax avoidance transactions by reducing the incentive to "play the audit lottery." These actions include increased disclosure requirements for taxpayers and promoters and access to the identity of shelter investors from a variety of sources. These sources include examination of promoter compliance with tax shelter registration and investor list maintenance requirements, disclosures made by taxpayers under the disclosure initiative outlined in Announcement 2002-2, and taxpayer returns. The IRS's revised policy regarding access to the Tax Accrual Workpapers of corporations and their independent auditors -- reflected in Announcement 2002-63 -- also changes the cost/benefit analysis applied by such taxpayers in deciding whether to engage in an aggressive tax strategy. The General Tax Counsel and Chief Financial Officer of a corporation must consider the risk of IRS access to these Tax Accrual Workpapers in deciding whether to participate in an aggressive tax strategy, whether or not that strategy is currently a "listed transaction."

The second foundation of this strategy is to identify and analyze transactions as they are being marketed to issue early public guidance stating the Treasury's and the IRS' view of the transaction. Such early public guidance gives taxpayers, promoters and the IRS' Compliance functions notice of Treasury and IRS concerns regarding a tax avoidance transaction. Such early public notice should mean that fewer taxpayers will invest, and the IRS will be able to focus its examination resources on those taxpayers who do participate in such transactions. Of course, the absence of such public notice regarding a particular transaction does not, in any way, indicate that the Treasury and IRS have no concerns regarding the transaction. The absence of public notice may mean that we are not aware of the transaction or that we do not have sufficient

information to analyze the transaction. There could be a variety of other explanations for the absence of public guidance.

The third foundation of this strategy is strong enforcement efforts, including summons enforcement by the Department of Justice to obtain information, focused examinations of taxpayers and issues, and targeted litigation to establish that promoted tax benefits are not allowed. These enforcement actions are an essential part of any strategy to combat abusive tax avoidance transactions, whether marketed in the past, currently or in the future.

The IRS is using information from promoter audits, from taxpayer returns, from disclosures under the disclosure initiative, and from other sources to identify taxpayers and issues for audit. These audits have resulted and will continue to result in disputes between the IRS and taxpayers. These disputes must be resolved, either by litigation, settlement or concession. The IRS, the investors, the promoters and the taxpaying public all have an interest in the prompt, fair and efficient resolution of these disputes. Today, I will discuss resolving these disputes by litigation or by settlement, and the considerations that apply in determining whether to pursue a settlement initiative for a particular tax avoidance transaction.

On October 4, 2002, the IRS announced three initiatives designed to resolve tax disputes as to three tax avoidance transactions, two of which have been listed as reportable tax avoidance transactions. These transactions are referred to as corporate owned life insurance, or COLI, section 302/318 basis shifting, and section 351 contingent liability transactions. Each of these transactions is what is often referred to as a "technical tax shelter." It has previously been publicly stated that the IRS is also considering pursuing resolution initiatives for lease stripping, lease-in-lease out transactions (LILOs), "son of boss" transactions, and section 401(k) accelerator transactions. Each of these transactions also is generically considered to be a technical tax shelter. Technical tax shelters will the primary focus of my remarks today.

We distinguish a "technical tax shelter" from a "scheme or scam" or outright tax evasion that finds no support in either the law or the facts. In the case of a technical tax shelter, the promoted tax benefits from the tax avoidance transaction may be supported by a technical reading of the Code, regulations or rulings. In most cases, however, the promoted tax benefits are not actually available because the form of the transaction does not reflect its substance. In other cases, a tax avoidance strategy may find support in a possible interpretation of the law, although not the best reading of the Code and regulations. Finally, in some cases, a tax avoidance strategy may find support in the law <u>if</u> the transactions have substance and depending on the taxpayer's particular facts and circumstances. In many such cases, the transactions do not have substance, were not effected as designed, or the taxpayer did not have the purported business purposes or actually engage in the alleged business activities.

The IRS may properly dispute the tax benefits claimed by taxpayers in all of these situations. But each situation presents a different audit challenge and litigation

hazard to the IRS and must be considered separately. A “one size fits all approach” to resolution of tax disputes is not appropriate for dealing with most of these technical tax shelters, or even for all taxpayers who engaged in a particular tax shelter strategy. Such a “one size fits all” approach either will not be successful because few taxpayers will participate or will unjustly reward the overly aggressive promoter and taxpayer. Both the IRS litigation strategy and its settlement strategy for technical tax shelters must be carefully designed for each transaction.

The tax shelter phenomenon of the 1990's is often compared to the widespread promotion of abusive tax avoidance transactions of the late 1970's and early 1980's. While there are many similarities, there are important differences that impact the choice of the type of resolution strategy that should apply. In the 1970's and 1980's, promoters promised deductions and credits in amounts that were multiples of the participant’s investment. These deductions and credits usually relied upon inflated valuations and non-existent activities and properties. Thus, the issues in these cases primarily revolved around the facts. In many cases, the promoter not only misrepresented the tax benefits available, but also misrepresented the nature of the investment entirely. By contrast, as explained above, currently promoted technical tax shelters are based on the application of the law in an unintended manner or application of the law to a contrived set of facts, or they depend at least in part on the taxpayer’s purpose. They may be factually intensive to develop and more difficult than the shelters of the early 80's because we must develop the substance of the transaction and, typically, there are no easy over-inflated values to pick apart.

The number and types of taxpayers participating in the abusive transactions and the nature of the promoters also differ. In the 1970's and 1980's, tens of thousands of individuals invested relatively small amounts per person in tax shelters promoted by small promoters and boutique law and accounting firms. While the total tax dollars at issue were very large, the tax dollars at issue per taxpayer were relatively small. In the 1990's, corporations, corporate executives, other high income individuals, and high net worth individuals participated in abusive tax avoidance transactions promoted by major law firms, accounting firms, investment banking firms and other financial institutions. The tax benefits claimed per taxpayer from these transactions are significant, but the total number of taxpayers involved is in the thousands rather than in the tens or hundreds of thousands. The number of taxpayers participating in a particular transaction may even number less than 50, even though a significant amount of tax dollars may be in issue.

The IRS combated the tax shelter promotions of the 1970's and 1980's using its traditional tools of examinations and litigation. The IRS also resorted to “global settlement” offers under which tax shelter participants were allowed to deduct “out of pocket costs.” These global settlement offers recognized that many investors were duped not only with respect to tax benefits, but also with respect to the underlying investment. Therefore, “out of pocket” settlements recognized that these taxpayers had incurred losses in the nature of a theft. Because of the similarity of the transactions and issues and the numbers and types of taxpayers involved, “global settlements” of this

nature were appropriate. Such settlements were in the best interest of tax administration and recognized that these taxpayers had actually incurred a limited financial loss. Allowing deduction of out of pocket costs certainly did not reward taxpayers who participated in such abusive tax avoidance transactions.

Despite these “global settlement” offers, tens of thousands of tax shelter cases proceeded to the Tax Court in the 1980's. At one time, nearly 90,000 cases were pending in the Tax Court, as compared to fewer than 20,000 today. Both the government and taxpayers incurred substantial costs to litigate these cases and it took over ten years to resolve many of them. In some cases, litigation was prolonged because the promoters had established “defense” funds with investor contributions to fund the litigation. By the time these cases were finally resolved by settlement or by litigation, many taxpayers had suffered other financial reverses and were unable to pay the deficiencies. Thus, these deficiencies often became collection cases for the IRS.

There are many lessons to be learned from the history of the tax shelter phenomenon of the 1970's and 1980's. The first lesson is that the IRS must promptly react to the promotion of abusive tax avoidance transactions by publicly stating its view of these transactions. By reacting promptly, the IRS can reduce the number of taxpayers willing to participate in such transactions and can focus its examination resources. The second lesson is that the IRS must focus on the promoters of abusive tax avoidance transactions to stop the promotion and to identify the taxpayers who have participated. Where promoters are engaged in making false and fraudulent statements, working with the Department of Justice, the IRS also must promptly seek and obtain injunctions to prevent such activities. Finally, the IRS must use its examination and litigation resources wisely to enforce the law promptly and fairly.

The current Treasury and IRS strategy for dealing with the proliferation of promoted abusive tax avoidance transactions is based, in part, on the lessons learned from the tax shelter phenomenon of the 1970's and 1980's.

As I previously stated though, there are some major differences between the situation today and the situation in the 1980's. These differences mean that the IRS litigation and settlement strategies that applied to taxpayers engaged in promoted transactions in the 1980's do not necessarily apply today. First, and foremost, a “global settlement” initiative is inappropriate because each tax avoidance transaction is different and presents different issues -- there also may be significant difference between taxpayers that participated in a single type of transaction. These differences must be respected or the IRS resolution strategy will fail or misfire.

Another difference is the sheer volume of technical tax shelter cases facing the IRS today is not comparable to the number of tax shelter cases and individual taxpayers involved in the 1980's. But, the dollars involved in each individual case for each taxpayer are significantly larger today than in the 1980's style shelters and both legal and factual issues are presented in most cases. These differences suggest that both the IRS and some taxpayers likely will be more willing and able to litigate technical tax

shelters. In my experience, the probability of tax litigation increases where the parties have distinctly different views of the law. This is particularly true where the taxpayer continues to be represented by the tax professional that originally advised the taxpayer regarding the law.

The third major difference is that the primary participants in certain technical tax avoidance transactions today are corporations, rather than individuals. They have a different perspective on tax as business costs that affect settlement. Many of these corporations are regularly audited and were not "playing the audit lottery" when they participated in these transactions. It is likely, however, that they may have been playing the "issue lottery" and anticipated settling the issue when they entered into a tax avoidance transaction. Such corporations may be more likely to settle certain types of cases to avoid adverse publicity and to achieve earnings for financial statement purposes that would otherwise not be feasible. By contrast, many individuals likely were "playing the audit lottery" when they decided to participate in tax avoidance transactions. Individuals who invested in particularly abusive tax avoidance transactions normally do not want to incur the cost and the risk of litigation and, thus, are more interested in settling if audited. Of course, individuals who invested in the 1980's tax shelters sometimes refused to settle their cases promptly simply because they did not have the funds to pay the deficiencies determined by the IRS. This situation may not exist as frequently for corporations and high income and high net worth individuals who participated in abusive transactions in the 1990's.

Taking all these factors into account, I conclude that all settlement initiatives for technical tax shelters must first and foremost be based on a fair assessment of the litigation hazards to the government and to the taxpayer in each case. Where a settlement initiative can be structured to achieve that goal, then a settlement initiative may be appropriate. There are also other factors that enter into a decision to pursue a settlement initiative, but this is the most important factor in deciding the nature and timing of any initiative.

The COLI settlement initiative was really just a notice of termination of the settlement offer on COLI that had been outstanding for some time. There were between thirty and forty COLI cases outstanding when this notice was issued, and all were resolved pursuant to the initiative except for five cases. The notice of termination came after the second U.S. Circuit Court of Appeals decision that affirmed the government's position. The outstanding settlement offer was generous under those circumstances, and I made clear that the government would expect to litigate this issue for all cases in the future. The taxpayer response to the settlement initiative was favorable, but all outstanding cases have not been resolved. This suggests that where corporations have engaged in promoted tax avoidance transactions, such as COLI, the government must expect to litigate the issue repeatedly even if the government prevails in each case.

The section 302/318 basis shifting transaction was identified as a listed transaction in Notice 2001-45 on July 26, 2001. The section 302/318 "basis shifting"

settlement initiative required taxpayers, in effect, to concede 80% of the loss claimed. In addition, for those taxpayers who did not disclose this transaction to the IRS, the IRS will determine whether a penalty should be imposed through normal audit and Appeals processes. This particular abusive tax avoidance transaction was primarily promoted to high income and high net worth individuals, rather than to corporations. Most of these individuals obtained "more likely than not" opinions from law and accounting firms confirming that the promoted tax benefits would withstand IRS scrutiny in court. To date, more than 65% of the identified taxpayers who participated in this transaction have opted to accept the settlement initiative. This acceptance rate was achieved even though there is no decided case confirming that the IRS position is correct as to this particular transaction.

Some have questioned whether the IRS should pursue a settlement initiative under these circumstances. These critics argue that the IRS will either offer too much to settle, or that taxpayers will not accept the offer thus defeating the goal of prompt and efficient resolution for large numbers of taxpayers. Our experience with the section 302/318 initiative belies that argument. The settlement was structured using the audit experience of the Small Business/Self-Employed Division and the Large and Mid-Size Business Division of the IRS, the litigation hazards and settlement experience of the IRS Appeals Division, and the legal and litigation expertise of the Office of Chief Counsel. I strongly believed at the time, and continue to believe, that the settlement initiative reflected the litigating hazards of the government's and the taxpayer's positions at that time.

After the initiative closed, the Tax Court decided the *Merrill Lynch* case on January 15, 2003 (103 T.C. No. 3). While this case did not involve a section 302/318 basis shifting transaction, it did address when a corporate distribution should be treated as a dividend or as a sale of stock. The decision in this case confirms the government's position that, as a technical matter, there was no "basis shift" as a result of the contrived section 302/318 basis shifting transactions. I have designated two cases for litigation of this transaction, and I am confident that the courts ultimately will confirm that the government's position is correct. Even though a number of taxpayers did not accept the settlement initiative, I believe it was entirely appropriate and successful. What is critical to the success of this initiative is the knowledge among tax advisors that, without a significant change in circumstances, there will not be a better deal waiting down the road. If anything, the *Merrill* decision tightens our view of the litigation hazards.

The third settlement initiative related to section 351 contingent liability transactions, which were engaged in by corporate taxpayers. The section 351 contingent liability transaction was identified as a listed transaction on January 18, 2001, in Notice 2001-17. The procedures for resolving these cases are reflected in Revenue Procedure 2002-67.

There is a wide divergence of views between taxpayers and the IRS on the relative strengths of their positions in these cases. Ignoring the legal issues, the facts vary significantly from case to case. LMSB Compliance audits and IRS Appeals

experience show that in many cases taxpayers took only limited actions to engage in the purported business of managing the contingent liabilities that were transferred to their subsidiary. Under these circumstances, a more flexible settlement approach was required. Therefore, we offered taxpayers two options: a fixed taxpayer concession of 75% of the claimed capital loss, or a fast-track mediation (and, if necessary, a baseball arbitration) resulting in a concession by the taxpayer of between 50% and 90% of such loss. Under both options, future deductions would be reduced by the amount of the loss allowed to the taxpayer in order to avoid a double deduction. Neither of these options is available to taxpayers engaged in fraud or who failed to execute the required documents or did not execute the transactions contemplated by their documents.

This settlement initiative should appeal to most qualified taxpayers who engaged in the contingent liability transaction. We believe that the fixed concession option fairly reflects the litigation hazards for large numbers of these transactions, taking into account that these taxpayers did not conduct significant activities in their liability management subsidiaries. Based on information from audits and Appeals experience, a 75% taxpayer concession with reduction of future deductions for the allowed loss properly reflects the taxpayer's and the government's risk in those cases. Taxpayers that believe that their litigation hazards are no more than 50% have the option to pursue the fast-track mediation option. Even if a taxpayer believes that its risk is less than 50%, it should pursue this option if it values prompt, efficient and confidential resolution of tax disputes.

Taxpayers and their representatives loudly assert that the uncertainty, delays and expense of the traditional audit, Appeals, and litigation process must be reduced. Fast-track mediation -- followed by mandatory baseball arbitration only if the parties cannot agree -- avoids the negatives of the normal process. Further, the settlement range provided under this option allows taxpayers to support their view of their litigation risk. If a taxpayer decides not to elect either of the options provided under the section 351 contingent liability settlement initiative, fast-track appeals and mediation will not be available. Also, Dave Robison, Chief of the Appeals Division, has publicly stated that taxpayers should not expect to receive a better settlement through the normal Appeals process. Prior and current Appeals settlements are consistent with the terms of the settlement initiative and forthcoming Appeals Settlement Guidelines also will reflect those terms.

The time for taxpayers to elect to participate in the section 351 contingent liability transaction settlement expires on March 5, 2003. Such time period will not be extended. While a number of taxpayers have elected to participate, it is too early to say whether large numbers will participate. Whether or not large numbers of taxpayers participate, I am confident that the terms of the settlement initiative fairly reflected the government's and the taxpayer's litigation risks. Also, the settlement initiative provided taxpayers with a prompt and efficient means to resolve this tax dispute in a manner that takes into account the parties' conflicting views of the litigation hazards in each case.

I have designated one case for litigation involving a section 351 contingent liability transaction, and I am considering designating additional cases for litigation. Taking into account the nature of this transaction, the issues presented, the tax dollars involved in some cases, and the nature of the taxpayers that engaged in these transactions, I expect that a number of these cases will be litigated. For those taxpayers who do not participate in the settlement initiative, time will tell whether their views of their cases are correct. They will, however, get no more favorable terms of settlement without a significant change in litigation hazards.

The outcome of litigation is almost never certain, but that does not mean that the IRS should offer to settle every tax dispute. Both the IRS Appeals Division and the Office of Chief Counsel have adopted the policy of not entering into nuisance settlements, whether such a settlement would benefit the taxpayer or the government. This is the standard applied by Appeals and by Counsel to all types of tax disputes and it certainly applies to abusive tax avoidance transactions. Exactly how to quantify a "nuisance" settlement may vary from case to case, but in the interest of tax administration, I firmly believe that IRS settlements should primarily be based on the litigation hazards of the case.

As lawyers, you certainly appreciate the risks, costs and delays inherent in resolving tax disputes on a case by case basis through litigation. Tax lawyers also understand that bona fide disputes will exist between taxpayers and the IRS regarding interpretation of the tax law and the application of the law to complex facts. Therefore, you understand why the IRS resolves most tax disputes by settlement rather than through litigation.

IRS Appeals settles over 85% of its cases after taking into account the legal and factual hazards of litigation to both parties. The mission of Appeals is to resolve tax controversies, without litigation, on a basis which is fair and impartial to both the government and the taxpayer and in a manner that will enhance voluntary compliance and public confidence in the integrity and efficiency of the IRS. This mission applies to all types of tax disputes, including disputes regarding tax shelters.

Settlement of most tax cases does not present significant issues regarding the health of the voluntary compliance system or the public's confidence in the integrity and efficiency of the IRS. Settlement initiatives for promoted abusive tax avoidance transactions, however, may have a significant impact on taxpayers' voluntary compliance and on public confidence in the IRS. The voluntary compliance system depends on taxpayers' believing that the tax law is being enforced against everyone. Such belief would be undermined if settlements are viewed as rewarding taxpayers who engaged in abusive transactions. Likewise, settlements should not reward the promoters who have marketed these transactions. Otherwise, tax professionals who advised their clients not to participate or who refused to participate in such promotions will find it difficult in the future to withstand the pressures to engage in these activities. Taxpayers' and tax professionals' confidence in the IRS also will be eroded if the IRS settles tax disputes on the basis that it cannot examine and litigate in appropriate cases.

The IRS has not done so in the past and will not do so in the future. Thus, the decision to pursue a settlement initiative as to any particular tax avoidance transaction requires careful consideration and balancing of all competing interests and considerations.

The decision whether and when to pursue a settlement initiative for a particular tax avoidance transaction involves the responsible IRS Operating Division or Divisions (generally LMSB or SBSE), the Appeals Division, and the Office of Chief Counsel. Each of these organizations brings its special knowledge, experience and expertise to the table in this process. The hazards of litigation are the primary factor in determining the terms of any settlement initiative, but the decision to pursue a settlement initiative involves many considerations. I have previously described many of those considerations.

I and other IRS officials have publicly stated that the IRS is evaluating other possible settlement initiatives. I want to reiterate, however, that there is no assurance that an initiative will be pursued as to any other transaction. Further, the terms of prior initiatives do not, except in philosophy, provide any indication of the terms of any future initiatives. We welcome input from taxpayers and their representatives and others as to whether additional settlement initiatives should be pursued and the possible terms of such initiatives. Such input assists the IRS in evaluating its position, but this does not mean that the IRS is negotiating the existence or terms of any settlement initiative with any specific taxpayer or group of taxpayers. That we seek input on possible future settlement initiatives also does not mean that we are going to pursue such initiatives.

For example, some have suggested that the “son of boss” transactions may be compared to the section 302/318 “basis shifting” transactions or to the section 351 contingent liability transactions. I understand that a taxpayer even tried to elect the 25% option under the section 351 contingent liability settlement initiative on the premise that “son of boss” involved a contingent liability. Needless to say, “son of boss” transactions are not comparable, either legally or factually, to section 351 contingent liability transactions. I am confident that there will be no settlement initiative for “son of boss” that is comparable to the section 351 contingent liability settlement initiative.

Moreover, I am very concerned that promoters continued to promote -- and taxpayers continued to participate in -- “son of boss” transactions following issuance of Notice 2000- 44, which identified “son of boss” and similar transactions as a listed transaction. I am also more than concerned to hear that even today these transactions or similar transactions may be being promoted. In my view, “son of boss” transactions are almost uniformly clearly abusive and will not withstand scrutiny by any court. In this circumstance, enforcement of the law is clearly necessary; otherwise, such flagrant disregard of the Notice will undermine voluntary compliance and the public’s confidence in the IRS. I cannot foreclose the possibility of a public resolution initiative for “son of boss,” or any other transaction that has been listed as a reportable tax avoidance transaction. But I am confident that any settlement initiative will reflect the government’s litigation hazard as to the transaction and no nuisance settlements will be offered.

To this point, I have been discussing resolving disputes regarding technical tax shelters. Now, I want to change the subject to discuss the Voluntary Compliance Initiative described in Revenue Procedure 2003-11.

On January 14, 2003, the IRS announced a Compliance Initiative directed at offshore financial arrangements including the use of credit cards issued by offshore banks to evade the federal income tax. Under this initiative, taxpayers who have been engaged in such offshore arrangements are offered the opportunity to resolve their liabilities by paying tax, interest and penalty. The IRS Criminal Investigations (CI) will evaluate whether to refer such taxpayers for criminal prosecution under its Voluntary Disclosure Practice and normal standards. Taxpayers do not qualify for the Compliance Initiative if the unreported income is from an illegal source, if they are promoters, or if they do not qualify under the Voluntary Disclosure Practice. Taxpayers who wish to participate in the Compliance Initiative must disclose the identity of the promoters of their offshore arrangement or transaction.

There are a number of significant benefits to taxpayers and to the IRS from the Compliance Initiative. First, based on information obtained through John Doe Summonses to credit card companies and merchants, the IRS believes that there are thousands of taxpayers who have engaged in offshore financial arrangements to evade federal income taxes. While the amount of tax evaded by some taxpayers is significant, the dollar amount involved for many taxpayers is not so large. Further, in many cases, the promoters of these arrangements not only promoted tax evasion but also stole the "investor's" funds. In that sense these arrangements often permanently placed the taxpayer's funds "offshore." Therefore, tax administration benefits if these taxpayers return to the voluntary compliance system and pay their liability pursuant to the Compliance Initiative.

A second benefit of the Compliance Initiative is that the most effective and efficient means to detect these offshore arrangements is through the promoter. Thus, obtaining the identity of promoters through this initiative will allow the IRS to take enforcement actions against the promoters, including criminal investigations and prosecutions where appropriate. Obtaining the identity of promoters also will allow the IRS more effectively and efficiently to identify taxpayers who have participated in these arrangements. Taxpayers who do not participate in the Compliance Initiative will be at even greater risk of detection, examination and investigation by the IRS following the initiative. Thus, I hope that you will advise your clients that are considering whether to participate in this initiative to participate. This Compliance Initiative is a "win/win" situation for qualifying taxpayers who have participated in offshore financial arrangements and want to return to the voluntary compliance system and for the tax administration system.

It is a little over a year since I became Chief Counsel. During this year, tax shelters – and the fallout from tax shelters – have certainly been in the news. Away from the headlines, the Treasury and the IRS have been pursuing a strategy designed

to deal with the past and to anticipate and address the future. We have probably made missteps along the way, but we have never changed our ultimate goal -- our goal is to administer and enforce the tax law in a manner that is fair to all taxpayers. We have learned lessons from the history of the tax shelter phenomenon of the 1980's, and where appropriate we have applied those lessons. We have also learned lessons from our missteps and adjusted in response. But I can assure you that we are staying the course. The IRS and the Office of Chief Counsel are committed to resolving all tax disputes in a manner that respects and enforces the law in order to protect the voluntary compliance system and preserve public confidence in the IRS.