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IRS Reorganizing Tax Exempt Bond Group in May.

WASHINGTON – The Internal Revenue Service's tax exempt bond office will undergo some major changes as part of a reorganization of the Tax Exempt & Government Entities Division in early May, the commissioner of that division told bond lawyers meeting here.

The tax-exempt bond office will be combined with the office of Indian tribal governments to form a new ITG/TEB office within TE/GE, Commissioner Sunita Lough said on panel at the National Association of Bond Lawyers' Tax and Securities Law Institute here on Thursday.

There will no longer be a TEB director as of May 1, Lough said. There has not been a director, only an acting director, of the office since Rebecca Harrigal, now Caldwell-Harrigal, left TEB in December to become a shareholder at Greenberg Traurig here.

The new ITG/TEB office will be chaired by Christie Jacobs, who has been director of ITG, Lough said. Asked by NABL members about Jacobs' municipal bond experience, Lough said she has not practiced in the tax exempt bond area but "is a very smart person" and "very capable."

"You should not be worried about that at all," Lough told the lawyers.

The reorganization is aimed at increasing efficiency, she said.

The TEB part of ITG/TEB will be focused on audits and examinations going forward, Lough said.

IRS tax exempt bond field operations, which will fall the under ITG/TEB office, will be continue to be led by Allyson Belsome who will report to Jacobs. The number of managers for field agents (examiners) will drop to three from five, Lough said, adding that, with attrition, five was "just not sufficient to sustain."

The tax exempt bond field agents will stay in place under ITG/TEB. Arbitrage rebate and refunds will also be a function of the field offices, Lough said.

Steve Chamberlin will head up a technical support group within ITG/TEB that will be responsible for voluntary closing agreements.

A new compliance, planning and classification group that will span across TE/GE will be responsible for identifying issues and cases, as well as doing research, obtaining data, and planning, including for tax exempt bonds.

That CP&C group will determine what issues should be explored and where high levels of noncompliance exist. In the case of tax-exempt bonds, it will give this information to Belsome. She will assign it to agents in the field. The agents will get electronic files or packets of information explaining an issue and the legal analysis for the IRS' concerns.

On Friday, Lough talked about the new Information Document Request (IDR) process that will be put in place for tax-exempt bonds and other areas of TE/GE on April 1. The new IDR program, which has

been very successful in the IRS' Large Business and International Division, is aimed at expediting audits and increasing communication with taxpayers.

Under the process, IDR's will be drafted and IRS agents will talk with muni issuers or their lawyers to make sure everyone understands what the issues are and what documents are needed before the IDRs are finalized.

Richard Chirls, a partner at Orrick, Herrington & Sutcliffe, said he likes the idea of increased effectiveness and communication, but thinks that issuers should think about having their lawyers on hand to talk to the IRS auditors, especially if substantive issues are being discussed.

"I'm a bit concerned about how well this is going to work in some instances in the governmental area," he said on a TSLI panel.

"We'll see how it all plays out," said Brad Waterman, a tax controversy lawyer with his own practice, who was also on the panel.

The Bond Buyer

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