

## IRS Announces Industry-Based Compliance Strategy

The Internal Revenue Service announced March 12 that the Large and Mid-Size Business Division is implementing an industry issue focus approach to compliance under which issues would be classified based on how prevalent they are across industry lines and the level of compliance risk they present. The IRS says the strategy will enhance the oversight and accountability for high-risk issues and provide consistency in the resolution of such issues across industry lines.

**URL:** <http://www.irs.gov/businesses/article/0,,id=167377,00.html>

Under the strategy, issues identified by the IRS as having high strategic importance and a significant impact on one or more industries are classified as Tier 1 issues. These include foreign tax credit generators, foreign earnings repatriation, international hybrid instrument transactions, mixed service costs, the section 199 domestic production deduction, nonqualified deferred compensation under section 409A, and research and experimentation credit claims. Tax shelter and listed transactions (transactions the IRS has identified in published guidance as abusive tax-avoidance transactions) are also Tier 1 issues.

Lower-risk issues that the IRS has determined have a potential for high noncompliance and/or significant compliance risk are assigned to Tier 2. These issues include casualty losses, specified liability losses, cost sharing stock-based compensation, and the extraterritorial income exclusion effective date and transition rules.

The IRS says management direction and resources will be focused on issues with the greatest risk.

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