

CLIENT ALERT

Chief Counsel Desmond Discusses IRS Areas of Focus at Crowell & Moring Tax Seminar

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Michael J. Desmond, Chief Counsel of the IRS, spoke on Thursday, September 12th at Crowell & Moring, LLP about updates in the Office of Chief Counsel. The Chief Counsel of the IRS oversees approximately 1,400 attorneys who are assigned among the IRS National Office and the major operational divisions of the agency. The principal client of the Office of the Chief Counsel is the Commissioner of the Internal Revenue Service.

Mr. Desmond discussed several areas of focus for the IRS including virtual currency. He discussed IRS Notice 2014-21, which states that virtual currency will be treated as property, not currency, for federal tax purposes. He commented that from the IRS's perspective, Notice 2014-21 covers most of the issues regarding the tax treatment of virtual currency, because there are well-established rules on the tax treatment of property. He stated that the IRS continues to work on guidance on targeted issues related to virtual currency.

Mr. Desmond said that transfer pricing will always be a priority and will continue to be a focus for Counsel resources. Other areas of focus Mr. Desmond discussed included microcaptive insurance and syndicated conservation easements.

Regarding the Taxpayer First Act, Mr. Desmond said that the changes made to the designation for litigation procedures were unlikely to result in a "sea change." The IRS may designate a case for litigation in certain instances when, for example, the case presents a recurring, significant legal issue affecting large numbers of taxpayers. When a case is designated for litigation, the taxpayer will not receive a 30-day letter, which allows the taxpayer to present its case to the IRS Office of Appeals, but instead will be issued a statutory notice of deficiency. Mr. Desmond explained that the Taxpayer First Act did not change the existing IRS administrative procedures for designation (i.e., the pre-Tax Court procedure), but it does allow for more transparency because the IRS is required to give the taxpayer a written explanation when its case is designated for litigation.

Mr. Desmond also commented on the Department of Treasury's Policy Statement on the Tax Regulatory Process issued on March 5, 2019. He stated that the IRS is placing a greater emphasis on notice and comment rulemaking and, where subregulatory guidance is issued foreshadowing proposed regulations, an effort is made to issue those regulations promptly.

For more information, the 33rd Annual Crowell & Moring LLP Managing Tax Audits and Appeals Seminar materials [may be found here](#).

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