



*Chief Counsel Can Take Actions to Improve  
the Timeliness of Private Letter Rulings and  
Potentially Reduce the Number Issued*

**September 10, 2010**

**Reference Number: 2010-10-106**

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



## HIGHLIGHTS

### **CHIEF COUNSEL CAN TAKE ACTIONS TO IMPROVE THE TIMELINESS OF PRIVATE LETTER RULINGS AND POTENTIALLY REDUCE THE NUMBER ISSUED**

## Highlights

**Final Report issued on September 10, 2010**

Highlights of Reference Number: 2010-10-106 to the Internal Revenue Service Chief Counsel.

### **IMPACT ON TAXPAYERS**

Internal Revenue Service (IRS) Chief Counsel issues Private Letter Rulings (PLR) that interpret and apply the tax law to taxpayers' specific set of facts and advises taxpayers of the tax treatment they can expect from the IRS in the circumstances specified by the ruling. TIGTA determined that Chief Counsel can take additional actions to more timely contact taxpayers and close their requests for PLRs. Delays in providing letter rulings can substantially increase taxpayer burden because PLRs are generally needed before the taxpayer files a tax return and could result in delayed tax return filing or amended returns, as well as additional accounting fees. Further, Chief Counsel can potentially reduce the number of PLRs requested by issuing more published guidance that would benefit a greater number of taxpayers.

### **WHY TIGTA DID THE AUDIT**

This audit was initiated as part of our Fiscal Year 2010 Annual Audit Plan. The overall objective of this review was to determine whether IRS Chief Counsel provided timely legal advice to taxpayer requests for PLRs and charged taxpayers the appropriate user fees for PLRs.

### **WHAT TIGTA FOUND**

Overall, the Office of Chief Counsel ensured that the correct PLR user fees were charged to taxpayers. However, the IRS can take additional actions to more timely provide taxpayers with responses to their requests for PLRs. TIGTA determined that Chief Counsel personnel did not always timely contact

taxpayers after case assignment to discuss the taxpayers' issues. In addition, the PLR cases sampled for review were not always closed by Chief Counsel personnel in a timely manner. Specifically, 50 of the 65 sampled cases involved an untimely PLR that was issued after Chief Counsel's 120-calendar day goal (closures ranged between 121 to 3,548 calendar days). Our review also showed that Chief Counsel is not monitoring available information to consider whether published guidance should be issued on certain issues. TIGTA determined some PLR cases closed during Fiscal Years 2007 through 2009 related to similar issues. Specifically, PLRs were issued to taxpayers more than 150 times for each of 4 of the top 5 most used issue codes during our audit period. If Counsel issued more published guidance for these tax issues, it may prevent the need for a number of PLRs.

### **WHAT TIGTA RECOMMENDED**

TIGTA recommended that the Chief Counsel establish and track formal goals that require Chief Counsel personnel to issue PLR rulings within an established number of calendar days, develop and implement a review process that will enable Chief Counsel management to identify delays in both timely contacting taxpayers and closing PLR requests within established time periods, and better document and monitor when taxpayers are initially contacted and the reasons for any delays in closing PLR requests. TIGTA also recommended that the Chief Counsel establish a process to annually review issue codes related to PLRs and determine whether published guidance should be issued.

IRS management fully agreed with two recommendations and partially agreed with the remaining two recommendations. Management agreed to review their procedures to determine what changes are needed to strengthen their ability to identify delays in letter rulings, and reemphasize the importance of file maintenance and management information system requirements. Management did not fully agree to establish formal timeliness goals for issuing PLR rulings or agree to specifically establish an annual review process of PLR issue codes to identify the opportunity to issue published guidance.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

September 10, 2010

**MEMORANDUM FOR CHIEF COUNSEL, INTERNAL REVENUE SERVICE**

*Michael R. Phillips*

**FROM:**

Michael R. Phillips  
Deputy Inspector General for Audit

**SUBJECT:**

Final Audit Report – Chief Counsel Can Take Actions to Improve the  
Timeliness of Private Letter Rulings and Potentially Reduce the  
Number Issued (Audit # 200910019)

This report presents the results of our review to determine whether the Internal Revenue Service Chief Counsel provided timely legal advice to taxpayer requests for Private Letter Rulings and charged taxpayers the appropriate user fees for Private Letter Rulings. This audit was conducted as part of the Treasury Inspector General for Tax Administration's Fiscal Year 2010 Annual Audit Plan and addresses the major management challenge of Providing Quality Taxpayer Service Operations.

Management's complete response to the draft report is included as Appendix V.

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations), at (202) 622-8500.



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*Abbreviations*

FY	Fiscal Year
IRS	Internal Revenue Service
PLR	Private Letter Ruling



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## *Background*

A Private Letter Ruling (PLR) is a written response to a taxpayer by Chief Counsel that interprets and applies the tax law to the taxpayer's specific set of facts. The purpose of the letter ruling is to advise the taxpayer regarding the tax treatment he or she can expect from the Internal Revenue Service (IRS) in the circumstances specified by the ruling. For example, taxpayers can request a PLR on any section of the Internal Revenue

***A PLR is a written response to a taxpayer by Chief Counsel that interprets and applies the tax law to the taxpayer's specific set of facts.***

Code. This could include a multitude of questions ranging from changes in accounting method to relief provisions that permit taxpayers to file late elections even when the statute requires a timely election with the return. PLRs can help taxpayers confirm the tax treatment of proposed transactions before they are undertaken, so the timeliness of advice is important. As a result, PLRs are generally provided to taxpayers before a tax return is filed. In general, taxpayers requesting a letter ruling are required to pay the IRS a user fee<sup>1</sup> to receive advice. The amount of the user fee depends on the tax issue, but generally ranges from \$625 to \$11,500 per request.<sup>2</sup>

A PLR can be relied upon only by the specific taxpayer receiving the ruling; however, the general facts of the ruling are made available to the public. In contrast, Counsel's primary means of providing interpretation of the Internal Revenue laws to the general public is in the form of published guidance. Counsel conducts a variety of published guidance projects that could result in publication of regulations, revenue rulings, revenue procedures, and notices. The number of PLR cases closed has decreased from 1,330 cases in Fiscal Year (FY) 2003 to 1,000 cases in FY 2009. However, PLRs remain a popular mechanism with taxpayers and their representatives.

This review was performed at the Chief Counsel's Headquarters office located in Washington, D.C., during the period November 2009 through March 2010. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We did not evaluate the accuracy of the PLR legal interpretation, but focused on the processing of the letter ruling requests. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit

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<sup>1</sup> A fee paid by the taxpayer for requests to the IRS for rulings, opinion letters, determination letters, and similar requests.

<sup>2</sup> Reduced user fees apply to requests involving personal or business tax issues from a person with gross income of less than \$250,000. The \$11,500 user fees apply to letter ruling requests involving accounting periods and accounting methods.



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objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



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## *Results of Review*

Overall, we found that the Office of Chief Counsel ensured that the correct PLR user fees were charged to taxpayers. Specifically, our review of 65 sampled PLR cases indicated that Chief Counsel properly collected \$405,800 in user fees for these cases. However, Chief Counsel can take additional actions to more timely contact taxpayers and close their requests for PLRs. Further, Chief Counsel can more effectively use available information to potentially reduce the number of PLRs requested by issuing more published guidance when taxpayers are requesting PLRs for similar issues.

Delays in providing taxpayers with timely letter rulings can substantially increase taxpayer burden, both in terms of meeting their tax responsibilities in filing timely and in incurring additional accounting fees for requesting filing extensions as well as amended returns. In addition, the issuance of published guidance in lieu of PLRs, when applicable, would enable Chief Counsel to benefit a greater number of taxpayers.

### ***Chief Counsel Could Provide Taxpayers With More Timely Answers to Their Requests***

The IRS can take additional actions to more timely provide taxpayers with responses to their requests for PLRs. Specifically, Chief Counsel personnel did not always timely contact taxpayers after case assignment to discuss the taxpayers' issues. In addition, the PLR cases sampled for review were not always closed by Chief Counsel personnel in a timely manner.

Chief Counsel procedures require that the attorney assigned to the PLR case contact the taxpayer (or power of attorney) within 21 calendar days to discuss the issues in the request. However, our analysis of a statistical sample of 65 PLR cases closed during FY 2007 through FY 2009 showed that Chief Counsel personnel did not make the initial contact within 21 calendar days as required in 9 (14 percent) cases. The initial contact for these 9 cases ranged from 22 to 125 calendar days (3 weeks to 4 months). We were unable to identify the contact time period for 16 (25 percent) of the 65 PLRs in our sample due to missing case history sheets or insufficient documentation of case activity.

While not documented in its procedures, Chief Counsel management stated that it has a goal of closing PLR cases within 180 calendar days of receiving the PLR request from the taxpayer. The initial 120 calendar days is a target date Counsel places on attorneys for issuing the PLR, and the additional 60 calendar days allowed is for receiving additional information from the taxpayer, other unanticipated priorities, and for closing the case administratively.



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In 35 (54 percent) of the 65 cases, Counsel took from 121 to 180 calendar days to provide the taxpayer with the letter ruling, thus exceeding Counsel’s internal target date of 120 calendar days. In addition, even after allowing for the additional 60 calendar days for additional information from the taxpayer and for administrative processing, 15 (23 percent) of the 65 cases took longer than the 180-calendar day goal to close the case (ranging from 199 to 3,548 calendar days to provide the taxpayer with the letter ruling). For the 50 cases that were closed after the 120-calendar day goal, Counsel took an average of 276 calendar days to close the cases, which is almost double the amount of time allowed by its internal goal. We believe that taxpayers should be provided responses to their requests in a more timely manner. If we project the results to the population, 3,074 taxpayers were potentially burdened because a response to their PLR was not provided by Chief Counsel within 120 calendar days. Figure 1 summarizes the results of our review.

**Figure 1: Delays in Processing PLR Requests  
in FYs 2007 Through 2009**

Type of Error	Range of Calendar Days	Number of Cases Untimely in Sample	Percentage Untimely	Total Estimated Untimely Cases in Population
Untimely Initial Contact by Counsel	22-125 calendar days	9	14%	553
PLR Issued Between 121 to 180 Calendar Days	121-180 calendar days	35	54%	2,152
PLR Issued More than 180 Calendar Days	199-3,548 calendar days	15	23%	922

*Source: Treasury Inspector General for Tax Administration review of 65 sampled PLR cases closed by Chief Counsel in FYs 2007-2009.*

Delays in providing taxpayers with timely letter rulings can substantially increase taxpayer burden, both in terms of meeting their tax responsibilities in filing timely and in incurring additional accounting fees for extensions to file and the preparation of amended returns. In the 15 cases that Counsel did not provide a timely response within 180 calendar days, we determined that 10 taxpayers requested an extension to file their tax return. In addition, 22 of the 35 taxpayers that did not receive a response within 120 calendar days requested either a filing extension or filed an amended return. Because the IRS does not require taxpayers to document



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the reason for requesting an extension to file, we cannot definitively determine that the delay in receiving a response to the PLR request was the sole reason for requesting a filing extension and/or filing an amended tax return.

We reviewed the case files for the 15 PLR cases closed more than 180 calendar days after the taxpayer's request but were unable to determine why the PLR was delayed due to insufficient documentation maintained in the case file. Specifically, some case files did not contain the case history documentation to explain the actions taken, or the history information was not complete. In addition, attorneys are not required to update available fields on Counsel's management information system that would assist in monitoring PLR case activity.

Counsel management stated that although PLRs are important, they are not given priority status over other types of cases. In addition, Counsel management has not established a process to monitor PLR cases to identify and resolve those cases in which an initial contact was not made timely or cases were not closed within 180 calendar days.

## ***Recommendations***

The Chief Counsel should:

**Recommendation 1:** Establish and track formal goals that require Chief Counsel personnel to issue PLR rulings within an established number of calendar days.

**Management's Response:** Management partially agreed with this recommendation. Management agreed that taxpayers and tax administration are better served when letter rulings are issued timely. Although Chief Counsel does not have a published goal in connection with the timely issuance of a letter ruling, letter ruling timeliness goals are included in the performance goals of each executive in the Office of Chief Counsel who has subject matter responsibility over a portion of the letter ruling program. Chief Counsel management stated they will consider establishing, publishing, and tracking an office-wide timeliness goal for the issuance of a letter ruling.

**Office of Audit Comment:** Although timeliness goals may be included in the performance goals of applicable Chief Counsel executives, this has not resulted in timely responses for PLRs. Based on the number and extent of untimely requests identified during our review, we believe that until Chief Counsel establishes formal timeliness goals and tracks progress made, untimely PLRs will continue to occur.

**Recommendation 2:** Develop and implement a review process that will enable Chief Counsel management to identify delays in both timely contacting taxpayers and closing PLR requests within established time periods.

**Management's Response:** Management agreed with this recommendation. Management agreed that they should generally contact taxpayers and close letter ruling



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requests within the established time periods and agreed that they should be aware of, and consulted on, any delays. Chief Counsel management indicated they will review their procedures generally to determine what changes are needed to specifically strengthen management's ability to identify delays in the letter ruling program.

**Recommendation 3:** Better document and monitor when taxpayers are initially contacted and the reasons for any delays in closing PLR requests by:

- Reinforcing to Chief Counsel personnel the requirement to maintain necessary documentation in case files.
- Requiring attorneys to update key fields on Counsel's management information system to document when taxpayers are initially contacted and the reasons for any delays in closing PLR requests.
- Requiring managers to ensure adequate documentation is maintained in the case files and the information system is updated when reviewing the cases prior to closure.

**Management's Response:** Management agreed with this recommendation. The Office of Chief Counsel will remind all personnel of file maintenance and management information system requirements and remind managers of their responsibility to ensure that personnel that they supervise are complying with these requirements.

### ***Available Information Is Not Being Used to Determine Whether the Issuance of Private Letter Rulings Can Potentially Be Reduced***

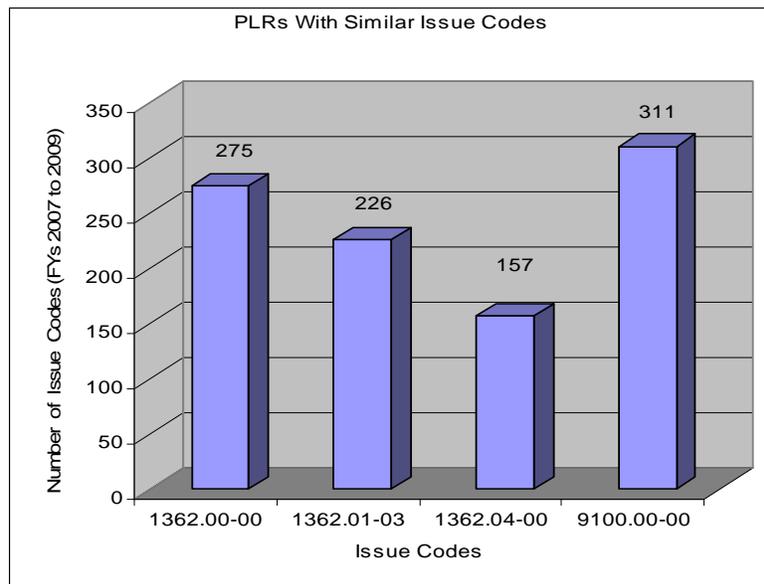
Our review showed that Chief Counsel is not monitoring available information to consider whether published guidance should be issued on certain tax issues. Specifically, we determined some PLR cases closed during FYs 2007 through 2009 related to the same Internal Revenue Code sections. By determining whether published guidance could be issued on some of these topics, Chief Counsel could reduce the amount of resources expended in the PLR program, while affecting a larger number of taxpayers. IRS management needs to ensure that its programs operate efficiently and that program information is periodically monitored to identify opportunities to improve service to taxpayers.

When a PLR request is received by Chief Counsel, an attorney is required to input an issue code into Counsel's management information system. The issue codes are key components used to capture issue information. Capturing the proper code is important in identifying, researching, and analyzing significant issues relating to tax compliance. This code identifies the applicable Internal Revenue Code Section related to the taxpayer's PLR request. Figure 2 shows four of the top five most used issue codes and the number of times they were used during our audit period.



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**Figure 2: PLRs With Similar Issue Codes<sup>3</sup>**



*Source: Treasury Inspector General for Tax Administration review of Chief Counsel's case management information system data.*

PLRs were issued to taxpayers more than 150 times for each of these issue codes during our audit period. We also identified 5 additional issue codes for which each had approximately 120 letter rulings issued to taxpayers during our audit period. Each of these issues could represent a strong need for published guidance which would be available to all taxpayers. Based on the extensive number of PLRs issued within a 3-year period, we believe Counsel should annually evaluate the need for published guidance for particular Internal Revenue Code Sections that have resulted in numerous PLR requests. If Counsel issued more published guidance for these tax issues, it may prevent the need for a number of PLRs. This would benefit a greater number of taxpayers, reduce taxpayer burden associated with filing PLR requests, and eliminate the need for taxpayers to pay the associated user fee.

<sup>3</sup> These codes represent issues ranging from relief provisions for filing late elections, small business elections, common law tests, and inadvertent determinations.



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## **Recommendation**

**Recommendation 4:** The Chief Counsel should establish a process to annually review issue codes related to PLRs and determine whether published guidance should be issued.

**Management's Response:** Management partially agreed with this recommendation. Management agreed that they should identify common issues in letter ruling requests and, when possible and beneficial, issue published guidance that eliminates or reduces the need for taxpayers to request letter rulings in connection with those issues. Chief Counsel's current procedures for annually identifying guidance projects do not specifically require a review of the issue codes related to letter rulings to determine whether published guidance is appropriate. Current letter ruling procedures encourage Chief Counsel attorneys to suggest guidance projects based on issues arising in letter ruling requests. Chief Counsel management agreed to review these procedures and determine whether their processes will benefit from a specific requirement to annually review the issue codes related to letter rulings for possible guidance projects.

**Office Audit Comment:** Although management agreed that they should identify common issues in letter ruling requests, they agreed only to evaluate current procedures to determine whether this recommendation will be beneficial. We believe management's evaluation should also include reviewing issue codes for PLRs issued over a period of time to fully evaluate the benefit of this recommendation. We recommended an annual time period to coincide with the planning process for identifying new published guidance projects.



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## **Appendix I**

### *Detailed Objective, Scope, and Methodology*

The overall objective of this review was to determine whether IRS Chief Counsel provided timely legal advice to taxpayer requests for PLRs and charged taxpayers the appropriate user fees for PLRs. To accomplish this objective, we:

- I. Identified the PLR process followed by Chief Counsel when PLR requests are received from the taxpayer.
  - A. Reviewed all department policies and guidance on processing of taxpayer requests for PLRs.
  - B. Interviewed key IRS personnel responsible for processing taxpayer requests.
  - C. Identified through discussions with responsible officials and a review of applicable procedures how PLR requests are collected and processed.
  - D. Determined the process for considering the issuance of published guidance as a result of numerous PLRs received for the same tax issue.
- II. Evaluated whether Counsel provided taxpayers with a timely decision regarding their tax issue.
  - A. Obtained from the Technical Management Information System (TECHMIS)<sup>1</sup> a computer extract of all PLRs issued by Chief Counsel during FY 2007 through FY 2009.
  - B. Validated the reliability of the computer extract. We reviewed the appropriateness of data within the requested fields and compared the population totals to information provided by Counsel.
  - C. Selected and reviewed a statistical sample of 65 PLRs closed during FY 2007 through FY 2009 to evaluate Counsel's actions in processing these cases. The total sample was randomly selected from a universe of 3,997 PLR cases closed during FY 2007 through FY 2009. This sample was selected based on a confidence level of 90 percent, a precision rate of  $\pm 6$  percent, and an expected error rate of 10 percent.
- III. Determined whether Counsel charged the appropriate user fee for taxpayers seeking a PLR.

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<sup>1</sup> The TECHMIS is a case control and management information system for all technical guidance work.



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- A. Obtained and reviewed Chief Counsel's procedures on the processing of PLR user fees.
  - B. Using the sample in Step II.C., compared the user fee that was charged to the taxpayer to the user fee schedule outlined in Internal Revenue Bulletin 2009-1.
- IV. Determined how Chief Counsel measures the PLR program and assessed whether other measures could be tracked to improve overall productivity.
- A. Interviewed Chief Counsel on the methodology used in determining performance measures for the PLR program.
  - B. Evaluated the reasonableness of the measures and goals used to monitor the PLR program.
  - C. Analyzed the PLR data obtained in Step II.A to identify trends and other potential program measures.

**Internal controls methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: Chief Counsel's policies and procedures for processing PLRs and collecting appropriate user fees. We evaluated these controls by reviewing samples of PLR case files, interviewing management, analyzing Chief Counsel's management information system, and researching the Integrated Data Retrieval System.<sup>2</sup>

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<sup>2</sup> IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.



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**Appendix II**

*Major Contributors to This Report*

Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations)  
Jeffrey M. Jones, Director  
Joseph F. Cooney, Audit Manager  
Jesse T. Joseph, Lead Auditor  
Jennifer K. Clewis, Auditor  
Angela Garner, Auditor  
Jane G. Lee, Auditor



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**Appendix III**

*Report Distribution List*

Commissioner C  
Office of the Commissioner – Attn: Chief of Staff C  
Deputy Chief Counsel (Operations) CC  
Deputy Chief Counsel (Technical) CC  
National Taxpayer Advocate TA  
Director, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Office of Internal Control OS:CFO:CPIC:IC  
Audit Liaison: Chief Counsel CC



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## Appendix IV

### *Outcome Measure*

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

#### **Type and Value of Outcome Measure:**

- Taxpayer Burden – Potential; 3,074 taxpayers were potentially burdened because a response to their PLR was not provided timely (see page 3).

#### **Methodology Used to Measure the Reported Benefit:**

We selected a statistical attribute sample of 65 of the 3,997 PLR requests closed by Chief Counsel during FY 2007 through FY 2009. Based on our analysis, we determined Counsel did not timely issue the PLR in 35 cases (54 percent) between 121 and 180 calendar days. Using a 90 percent confidence level and a precision rate of  $\pm 10.09$  percent, we estimated:

- 2,152<sup>1</sup> taxpayers were potentially burdened because a response to their PLR was provided by Chief Counsel within 121 to 180 calendar days after their request.

In addition, we determined a PLR was issued more than 180 calendar days after the taxpayer's request for 15 cases (23 percent). Using a 90 percent confidence level and a precision rate of  $\pm 8.53$  percent, we estimated:

- 922<sup>2</sup> taxpayers were potentially burdened because a response to their PLR was provided by Chief Counsel more than 180 calendar days after their request.

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<sup>1</sup>  $35/65 = .54$  (Percentage rounded)  $\times 3,997 = 2,152$ .

<sup>2</sup>  $15/65 = .23$  (Percentage rounded)  $\times 3,997 = 922$ .



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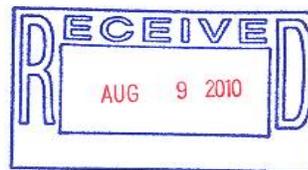
**Appendix V**

*Management's Response to the Draft Report*



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

AUG 9 2010



MEMORANDUM FOR MICHAEL R. PHILLIPS  
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Clarissa C. Potter *CCP*  
Deputy Chief Counsel (Technical)

SUBJECT: Draft Audit Report – Chief Counsel Can Take Actions to Improve  
the Timeliness of Private Letter Rulings and Potentially Reduce  
the Number Issued (Audit #200910019)

Thank you for the opportunity to comment on the draft report for audit number 200910019, *Chief Counsel Can Take Actions to Improve the Timeliness of Private Letter Rulings and Potentially Reduce the Number Issued*. The letter ruling program helps promote voluntary compliance with, and consistent administration of, the internal revenue laws. Accordingly, a successful letter ruling program is essential to the Office's mission to serve America's taxpayers fairly and with integrity by providing correct and impartial interpretation of the internal revenue laws.

Your findings and recommendations on this vital program are timely. As you are aware, we publish an update of our procedures for processing letter rulings in the first revenue procedure of the calendar year. To this end, we review our processes annually to determine what improvements are needed to the process. We will begin our review of the program in advance of the update to the 2011 revenue procedure shortly. Your findings and recommendations will receive strong consideration during this review.

Our response to your specific recommendations is detailed in the attachment. If you have any questions, please call me at (202) 622-3300, or members of your staff may contact Deborah A. Butler, Associate Chief Counsel, Procedure & Administration, at (202) 622-3400.

Attachment



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**Attachment**

**RECOMMENDATION 1**

The Chief Counsel should establish and track formal goals that require Chief Counsel personnel to issue PLR rulings within an established number of calendar days.

**CORRECTIVE ACTION**

The Office of Chief Counsel agrees that taxpayers and tax administration are better served when we are timely on the issuance of our letter rulings. Although the Office of Chief Counsel does not have a published goal in connection with the timely issuance of a letter ruling, letter ruling timeliness goals are included in the current performance goals of each executive in the Office of Chief Counsel who has subject matter responsibility over a portion of the letter ruling program. We will, however, consider establishing, publishing and tracking an office-wide timeliness goal for the issuance of a letter ruling.

**IMPLEMENTATION DATE**

We will determine whether to establish, publish and track an office-wide timeliness goal by January 1, 2011.

**RESPONSIBLE OFFICIALS**

Associate Chief Counsel (Finance & Management) and Associate Chief Counsel (Procedure & Administration)

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control system.

**RECOMMENDATION 2**

The Chief Counsel should develop and implement a review process that will enable Chief Counsel management to identify delays in both timely contacting taxpayers and closing PLR requests within established time periods.

**CORRECTIVE ACTION**

The Office of Chief Counsel agrees that we generally should contact taxpayers and close letter ruling requests within the established time periods. We also agree that management needs to be aware of, and consulted on, any delays. We will look at our review procedures generally to determine what changes may be needed to specifically



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strengthen management's ability to identify delays in the letter ruling program.

**IMPLEMENTATION DATE**

June 30, 2011.

**RESPONSIBLE OFFICIAL**

Associate Chief Counsel (Procedure & Administration)

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control system.

**RECOMMENDATION 3**

The Chief Counsel should better document and monitor when taxpayers are initially contacted and the reasons for any delays in closing PLR requests by:

- Reinforcing to Chief Counsel personnel the requirement to maintain necessary documentation in case files.
- Requiring attorneys to update key fields on Counsel's management information system to document when taxpayers are initially contacted and the reasons for any delays in closing PLR requests.
- Requiring managers to ensure adequate documentation is maintained in the case files and the information system is updated when reviewing the cases prior to closure.

**CORRECTIVE ACTION**

The Office of Chief Counsel agrees that Counsel personnel must maintain appropriate documentation of any actions we take, including the reasons the action was taken, in our case files. We also agree that Counsel personnel should update our management information system with required information. The Office of Chief Counsel will remind all personnel of the Office's file maintenance and management information system requirements. We also will remind managers of their responsibility to ensure that personnel that they supervise are complying with these requirements.

**IMPLEMENTATION DATE**

January 31, 2011.



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**RESPONSIBLE OFFICIAL**

Associate Chief Counsel (Procedure & Administration)

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control system.

**RECOMMENDATION 4**

The Chief Counsel should establish a process to annually review issue codes related to PLRs and determine whether published guidance should be issued.

**CORRECTIVE ACTION**

The Office of Chief Counsel agrees that we should identify common issues in letter ruling requests, and, when possible and beneficial, issue published guidance that eliminates or reduces the need for taxpayers to request letter rulings in connection with these identified issues. The Office's current procedures for annually identifying guidance projects do not specifically require a review of the issue codes related to letter rulings to determine whether published guidance is appropriate, but our letter ruling procedures encourage Chief Counsel attorneys to suggest guidance projects, when appropriate, based on issues arising in letter ruling requests. We will, however, review these procedures and determine whether either process will benefit from a specific requirement to annually review the issue codes related to letter rulings for possible guidance projects.

**IMPLEMENTATION DATE**

July 31, 2011.

**RESPONSIBLE OFFICIAL**

Associate Chief Counsel (Procedure & Administration)

**CORRECTIVE ACTION MONITORING PLAN**

We will monitor this corrective action as part of our internal management control system.