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M E M O R A N D U M

TO: Committee on Tax Professionalism

FROM: Ronald M. Wiener

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RE: Local Tax Professionalism Initiatives--The Philadelphia Model-
Objectives, Actions and Current Status

In Commissioner Richardson's memorandum to IRS officials following the George Washington Tax Professionalism Conference last year, she encouraged IRS district offices to participate in local tax professionalism initiatives similar to those conducted in Philadelphia. At the May 13, 1994 planning session, both IRS and practitioner representatives endorsed the concept of local professionalism initiatives throughout the country. The CAG's Ethics and Integrity Subgroup Report of June 16, 1994 also supports district initiatives dealing with systemic and local issues of professionalism. The purpose of this memorandum is to list the objectives, actions, and status of IRS/Practitioner activities in Philadelphia, to provide a guide for similar initiatives in other districts and to elicit suggestions for improvements.

Background. The Philadelphia professionalism initiative originated with concerns I expressed in October 1991 that the IRS Mid-Atlantic Region Ethics Action Plan virtually ignored issues of ethics and professionalism in dealings between the IRS and tax practitioners. The Mid-Atlantic Regional Commissioner and the Philadelphia District Director responded very positively to this challenge, and in mid-1992 a working group on tax professionalism was established with representatives from the IRS Philadelphia District, the Philadelphia Bar Association Tax Section, the Pennsylvania Institute of Certified

Public Accountants, the Pennsylvania Society of Enrolled Agents, and the Pennsylvania Society of Public Accountants.

Objectives. In general, the objective of the Philadelphia professionalism initiative was to address ethical and other behavioral and systemic issues arising in dealings between IRS personnel and Philadelphia district tax practitioners. Although no formal statement of objectives was agreed upon, I believe the participants would endorse the following as being among the more important goals:

- Enhance the awareness by all Philadelphia district IRS personnel who deal with practitioners of ethical and other behavioral issues in their dealings with tax practitioners
- Increase the awareness by tax practitioners of their ethical constraints and legal obligations in practice before the IRS
- Identify the complaints that tax practitioners and IRS personnel have concerning the other side's conduct in tax controversies, and open new channels of communications to address the perceptions and realities concerning these complaints
- Establish a continuing framework (i) for addressing issues of mutual concern to the IRS and tax practitioners in the conduct of tax practice and (ii) for effecting improvements in behaviors and systems, in an environment where practitioners will not fear "retaliation" for voicing complaints.

Actions. The IRS Philadelphia District and the practitioner organizations agreed to co-sponsor a local conference on tax professionalism as the initial vehicle for accomplishing the objectives of the initiative. A working group was established to develop the written materials for the program. (A copy of these materials was distributed at our May 13, 1994 meeting.) The process of developing the conference materials was a useful learning experience for the participating working group members, not only as to the substance of the issues but more importantly as to the differing perceptions by the IRS and practitioner participants concerning many of the fact patterns and behaviors that were considered.

First Local Conference. The first local professionalism conference was held January 11, 1993 at Widener University, which volunteered free use of its facilities. The half-day Monday morning program, which was qualified by the non-lawyer associations for CPE credit, was free of charge and was attended by about 350 practitioners and 50 IRS personnel. The

program was presented in an auditorium setting with four practitioner panelists (one from each of the sponsoring organizations) and two Service panelists (one from Collection and one from Examination). In addition, I acted as podium moderator and the Philadelphia Public Affairs Officer acted as roving moderator with a portable microphone for audience questions. The Philadelphia District Director made introductory comments and participated in the session as a member of the audience. Other high level IRS district and regional executives also attended.

The first half of the program addressed examination scenarios and the second half addressed collection scenarios. There was active audience participation, with candid views expressed (often with obvious emotion) by both practitioners and Service personnel. The program was video taped, and edited versions of the tape were later shown to Philadelphia District IRS personnel as part of the District's ethics awareness program. A high percentage of those attending turned in evaluations, almost all of which were favorable.

Conference Follow-Up. As a follow-up to the January 1993 conference, working groups were established to address three areas: (1) practitioner fear of retaliation for complaining about Service personnel behavior, (2) delays in examination cases caused by practitioners, Service personnel and Service systems; and (3) review of IRS Circular 230 training materials. The first two work groups working groups met periodically, usually every two or three months beginning in the spring of 1993, and concentrated on identifying specific problems and suggesting possible ways to effect improvements. The work product of these task forces was to be incorporated into the program for the second annual conference. (The Circular 230 work group had been inactive until this month.)

The Philadelphia District Director personally discussed the initial conference and the importance of listening to practitioner concerns with virtually all Philadelphia District IRS employees who deal with practitioners. He showed excerpts from the video tape of the conference to most of these employees. This was a meaningful effort to open communications and enhance awareness of the issues.

Later in 1993 and in 1994, smaller scale conferences were held at three other cities within the Philadelphia District, with one of those cities already having held its second conference. These programs, which drew smaller but still significant attendance, were very well received by both the IRS and practitioner attendees.

In mid-1993, the Service and all of the practitioner organizations that participated in the initial conference agreed to proceed with another conference, this to be held in the spring of 1994. Ultimately, the format was changed somewhat, by adding

afternoon workshops on examination, collection and Service Center issues and an informal cafeteria lunch between the morning and afternoon sessions. (The materials for this May 16, 1994 conference were distributed at our May 13, 1994 committee meeting.) All of the professional groups qualified the program for CPE/CLE approval. Approximately 225 practitioners and 100 Service personnel attended this conference, which was offered at a charge of \$35 for the entire day, including lunch.

Current Status. On July 14, 1994, the District Director and other representatives of the Philadelphia District met with representatives of all of the original sponsoring practitioner organizations. It was agreed to proceed with a third conference in 1995 and to continue the working groups. Changes in the format for the next conference will be discussed at a later date. The following actions were also agreed upon:

(1) The Philadelphia District "Practitioners Newsletter" will be a vehicle for the Service to communicate to practitioners information about some of the issues addressed at the conference.

(2) The practitioner organizations will disseminate information on the conference and the issues addressed in written and oral form to their members, as part of their professionalism initiatives.

(3) The Service will review the detailed tapes of the May 16, 1994 conference to note all suggestions made by any participants (panelists or audience). The "suggestion list" will be circulated among the working groups for discussion as to how best to implement those suggestions that seem worthwhile. As to other suggestions, we plan to spell out the reasons why we believe they are not feasible or appropriate.

(4) In the past year, several posts of duty within the District have had their own small scale informal meetings with practitioners from one or several organizations. The District officials agreed to institutionalize this type of small group gathering on a regular basis, with representatives from all of the practitioner groups and Service personnel at both headquarters and posts of duty.

(5) Consideration will be given to adding topics to those covered by the work groups, such as the difference between legitimate "asset protection" and illegal "asset concealment" by taxpayers. This was a very emotional topic at the first conference.

(6) The practitioners and Service representatives will explore whether it is feasible to measure consistency and levels of professionalism throughout the various offices of the Service encompassed by the Philadelphia District.

(7) As part of the effort to "spread the word," there will be jointly written articles on selected professionalism topics by Service personnel and practitioners. The articles will be disseminated by the practitioner organizations and perhaps also by the Service.

Summary. The Philadelphia IRS District office and Philadelphia area tax practitioner organizations have made significant strides in addressing issues of tax professionalism in the dealings between the Service and practitioners. This has been done in a way that has established an institutionalized framework not only for educating people about the issues but also for improving behaviors and practices. I expect the emphasis in the next year to be on effecting changes in behaviors and systems in ways that improve the environment for professionalism on both sides of the table.

In light of the Service's receptivity to initiatives of this type, it should be possible for a few practitioners in any district to initiate and institutionalize a similar effort to address tax professionalism issues and related matters. With the help of the organizations represented on our committee, I intend to begin identifying several interested practitioners in each of the 63 districts that has not already established a local professionalism effort with practitioners.