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Tax Regs in Plain English

IRS Restructuring and Reform Act of 1998

1101 - Internal Revenue Service Oversight Board

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Section 1101

A. Provision covered: Section 1101 (Internal Revenue Service oversight board)[amending IRC § 7802; adding IRC § 6103(h)(5)]

B. Background: Revised IRC § 7802 establishes the Internal Revenue Service Oversight Board within the Department of the Treasury. The Board is composed of the Secretary of the Treasury (or the Deputy Secretary of the Treasury if the Secretary so designates), the Commissioner of Internal Revenue, and seven members (six individuals who are not otherwise Government employees and one individual who is a full-time Government employee or representative of employees) who are appointed by the President with Senate confirmation. Aside from four of the initial Board members, appointed members serve not more than two terms of five years each. The Board oversees the Service in its administration, management, conduct, direction, and supervision, execution, and application of the tax laws. Its specific responsibilities include:

- Reviewing and approving Internal Revenue Service strategic plans, including the establishment of mission and objectives, and standards of performance relative to either;
- Reviewing the Service's operational functions, including plans for tax system modernization, outsourcing or managed competition, and training and education;
- Overseeing management of the Service through – recommending to the President

candidates for appointment as the Commissioner of Internal Revenue and, if necessary, recommending the Commissioner's removal; reviewing the selection, evaluation, and compensation of certain senior executives in the Service who have program management responsibility over significant functions; and reviewing and approving the Commissioner's plans for any major Service reorganization; and

- Overseeing the Service's budget through – reviewing and approving the Commissioner's budget request; submitting the budget request to the Secretary of the Treasury; and ensuring that the budget request supports the Service's strategic plans.
- Ensuring the proper treatment of taxpayers by Service employees.

Members of the Board who are "special government employees" (SGEs) may not represent anyone to or before: the Board or the Service on any matter; the Department of the Treasury on any matter involving the Service; or the Department of Justice with respect to litigation involving any such matter before the Service or Department of the Treasury.

Under new IRC § 6103(h)(5), as a rule, no return or return information may be disclosed to any Presidential appointee to the Oversight Board, or to any employee or detailee of the Board by reason of their service with the Board. This nondisclosure rule does not apply to reports/matters when the Commissioner or the Treasury Inspector General for Tax Administration: (1) prepares the report/matter for the Oversight Board in order to assist it in carrying out its duties; and (2) determines that such return or return information needs to be included in such reports/matters to enable the Board to carry out its duties. Internal Revenue Service employees must report to the Secretary of the Treasury, the Inspector General for Tax Administration, and the Joint Committee on Taxation any request that they receive from any Presidential appointee to the Oversight Board, or from any employee or detailee of the Board, for information that is not permitted to be disclosed, and any contact by such an individual relating to a specific taxpayer.

C. Changes: Amendment of IRC §§ 7802 and 6103(h).

D. Impact: This creates an Oversight Board with broad responsibilities concerning the functioning of the Internal Revenue Service. SGE Board members are subject to various restrictions upon representational activities. There are also restrictions upon providing return and return information to Board members, employees, and detailees; and related improper requests or contacts from any such persons must be reported by Service employees to specified Departmental officials and the Joint Committee on Taxation.

E. Necessary Actions:

1. **Actions/Procedures:** Any employee who receives requests to provide return or return information from a Presidential appointee to the Oversight Board, an employee of the Board, or a detailee of the Board, or who is contacted by any such an individual regarding a specific taxpayer, must report that request or contact to the Secretary of the Treasury, the new Treasury Inspector General for Tax Administration, and the Joint Committee on Taxation. Procedures for reporting

must be developed, training provided to affected employees, and guidance written and distributed.

Prior to establishment of the Office of Treasury Inspector General for Tax Administration, any reports required to be to that office should be made to the Treasury Inspector General for Tax Administration in care of the Office of the Chief Inspector.

2. **Actions Permitted:** N/A
3. **Actions Forbidden:** Making prohibited disclosures of returns or return information to Presidential appointees to the Board. Failing to make required reports.

F. Comments: None.

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