JONES DAY

ONE FIRM WORLDWIDE®

FEDERAL TAX CONTROVERSY

Jones Day Tax Controversy & Litigation: United States–Federal Tax Controversy

The Trends

The Internal Revenue Service ("IRS") continues to deploy new funding, technology, and specialized personnel to increase the intensity of examinations and enforcement activity focused on large corporations, partnerships, and high-net-worth taxpayers. Current themes driving high-dollar federal tax disputes include:

- **Transfer Pricing and Intangibles.** Consistent with global trends, the IRS is challenging cost-sharing arrangements, licensing structures, and royalty payments involving intellectual property. Examiners frequently invoke the "realistic alternatives" principle to reprice and restructure intercompany arrangements, use hindsight to second-guess arm's-length arrangements under the "commensurate with income" standard, and assert penalties.
- **Reportable Transactions and Anti-Abuse Provisions.** The IRS is invoking Section 7701(o) (economic substance), the partnership anti-abuse rules, and judicial doctrines to strike down once-accepted corporate transactions when it perceives tax-motivated structuring.
- **Partnership and Pass-Through Scrutiny.** Building on the Bipartisan Budget Act partnership audit regime, the IRS is aggressively asserting partnership-level adjustments, including reallocations of income, denial of losses, and application of penalties. Complex tiered partnership structures, private equity funds, and high-net-worth individuals face heightened risk.

How We Can Help

Jones Day's U.S. federal tax controversy & litigation practice represents clients from initial IRS contact through final judicial review. We leverage former IRS and DOJ trial attorneys to deliver cohesive, strategic defense in complex federal tax disputes:

- **Audit Readiness and Early Intervention.** We perform risk assessments, review documentation (including transfer-pricing studies and penalty-protection files), and develop audit response plans to position clients for favorable outcomes before disputes escalate.
- **Examination Defense.** Our team manages IRS Information Document Requests, summons enforcement proceedings, interviews, and on-site visits. We craft persuasive factual narratives, coordinate expert analyses, and negotiate issue resolutions with revenue agents and issue specialists.
- **IRS Appeals Advocacy.** We prepare comprehensive protest briefs, marshaling legal authority, factual development, and settlement precedents to maximize resolution opportunities at appeals, minimizing litigation cost and publicity.
- **Strategic Litigation.** When necessary, we litigate in the U.S. Tax Court, the Court of Federal Claims, and federal district courts, working seamlessly with our nationwide trial and appellate advocates. Our deep bench allows targeted motions practice, discovery management, expert testimony, and appellate briefing.

Who Will Be Impacted?

Any taxpayer—domestic or multinational corporate groups, investment partnerships, financial institutions, technology companies, and high-net-worth individuals—with significant U.S. presence faces potential IRS examination. Early engagement with experienced counsel is essential for preserving privileges, managing information flow, and crafting resolution-focused strategies.

Key Contacts

For more information on our U.S. tax controversy & litigation practice, please contact your principal Firm representative or one of the lawyers listed below.

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