



Treasury Inspector General for Tax Administration Office of Audit

ENFORCEMENT ACTIONS WERE NOT ALWAYS TIMELY INITIATED WHEN TAXPAYERS DID NOT RESPOND TO CONTACT ATTEMPTS OR MISSED DEADLINES

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Highlights

Highlights of Report Number: 2009-30-081 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) has the authority to file liens to protect the Federal Government's interest when taxpayers have unpaid tax liabilities and to levy or seize taxpayers' income or assets in an effort to collect unpaid tax liabilities. These collection tools were not always used or used timely in balance due cases. Not using collection tools to secure the Federal Government's interest or collect balance due amounts could result in inequitable treatment of taxpayers and loss of revenue to the Federal Government.

WHY TIGTA DID THE AUDIT

This audit was initiated to determine whether revenue officers take appropriate enforcement actions (liens, levies, or seizures) when warranted to resolve balance due accounts. This audit was included as part of our Fiscal Year 2008 Annual Audit Plan under the major management challenge of Tax Compliance Initiatives.

WHAT TIGTA FOUND

While the use of collection enforcement tools has been emphasized and use of liens and levies has increased in recent years, enforcement tools were not used or were not used soon enough in 15 (21 percent) of the 70 cases reviewed. Lien, levy, and/or seizure action should have been pursued when taxpayers missed specific deadlines or did not respond to letters or messages for the taxpayers to contact the revenue officers.

These instances occurred in part because the revenue officers were not always following up in a timely manner when taxpayers missed deadlines to provide information needed to resolve the case. In addition, in some cases revenue officers appeared to be hesitant to take enforcement actions when deadlines were missed. Further, in some cases, the revenue officers initiated

followup contacts with the taxpayers after the missed deadlines rather than take enforcement actions.

The IRS is implementing new procedures and processes to allow greater flexibility for dealing with taxpayers who become delinquent due to current economic conditions. However, TIGTA does not believe these procedures would have had a great impact on how the cases in our review should have been worked. These cases involved taxpayers who were not demonstrating good faith efforts to resolve their liabilities and comply with tax laws.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, Collection, Small Business/Self-Employed Division, reemphasize the IRS policy for timely and effective followup contacts to deadlines established for taxpayers, and specifically include an assessment of the adequacy of enforcement actions in case reviews conducted as part of operational reviews.

In their response to the report, IRS officials stated that they issued a memorandum on March 17, 2009, that emphasized key points regarding appropriate use of enforcement action. IRS management also developed several training courses designed to reinforce the importance of timely and effective case actions including enforcement action when appropriate that will be provided to revenue officers during Fiscal Year 2009. IRS management has also included an assessment of the use of appropriate enforcement actions in operational reviews, and plans to prepare a summary rollup of the case review findings, trends, and related recommendations which will be provided to the Director, Collection, Small Business/Self-Employed Division.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2009reports/200930081fr.pdf>

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