Treasury Inspector General
for Tax Administration
Office of Audit

CHALLENGES REMAIN WHEN PROCESSING UNDELIVERABLE MAIL AND PREVENTING VIOLATIONS OF TAXPAYERS' RIGHTS DURING THE LIEN DUE PROCESS

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Highlights

Highlights of Report Number: 2011-30-051 to the Internal Revenue Service Commissioners for the Small Business/Self-Employed Division and the Wage and Investment Division.

IMPACT ON TAXPAYERS

After filing Notices of Federal Tax Lien, the Internal Revenue Service (IRS) must notify the affected taxpayers in writing, at their last known address, within five business days of the lien filings. However, as noted in previous audits, the IRS has not always complied with this statutory requirement and did not always follow its own internal guidelines for notifying taxpayer representatives of the filing of lien notices. Therefore, some taxpayers' rights to appeal the lien filings may have been jeopardized, and others may have had their rights violated when the IRS did not notify their representatives of lien filings.

WHY TIGTA DID THE AUDIT

TIGTA is required by law to determine annually whether lien notices issued by the IRS comply with the legal guidelines in Internal Revenue Code Section 6320.

WHAT TIGTA FOUND

TIGTA reviewed a statistically valid sample of 125 Federal Tax Liens filed for the 12-month period ending June 30, 2010, and determined that the IRS mailed nearly every lien notice in a timely manner as required by Internal Revenue Code Section 6320. However, TIGTA could not determine if all notices were mailed timely. This could result in violations of taxpayers' rights.

In addition, the IRS did not always follow its own regulations for notifying taxpayers' representatives of the filing of lien notices. IRS regulations require taxpayer representatives be given copies of all correspondence issued to the taxpayer. For four of the 30 cases in the statistically valid sample for which the taxpayer had an authorized representative, the IRS did not notify the taxpayer's representative of the lien filing.

TIGTA estimated that 32,552 taxpayers may have been adversely affected because the IRS did not follow requirements to notify the taxpayers and their representatives of the taxpayers' rights related to liens.

When an initial lien notice is returned undeliverable and a different address is available for the taxpayer, the IRS does not always send the lien notice to the taxpayer's last known address. TIGTA identified cases for which a new lien notice should have been sent to the taxpayer's updated address because IRS systems reflected the updated address prior to the lien filing. These cases could involve legal violations because the IRS did not meet its statutory requirement to send lien notices to the taxpayer's last known address.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Directors, Collection and Campus Compliances Services, Small Business/ Self-Employed Division, and the Director, Compliance, Wage and Investment Division, ensure that procedures to address the handling of undelivered lien notices are consistent.

In their response to the report, IRS officials agreed with our recommendation and plan to reevaluate procedures to ensure they are consistent across the functions and support the timely resolution of undelivered notices.

READ THE FULL REPORT

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

http://www.treas.gov/tigta/auditreports/2011reports/201130051fr.pdf.