



## Treasury Inspector General for Tax Administration Office of Audit

### **BUSINESS TAXPAYERS WERE EFFECTIVELY TRANSITIONED TO ELECTRONIC PAYMENTS; HOWEVER, THEY WERE NOT ALWAYS TIMELY CONTACTED WHEN PAYMENTS WERE MISSED**

Issued on August 17, 2012

## Highlights

Highlights of Report Number: 2012-30-092 to the Internal Revenue Service Commissioners for the Small Business/Self-Employed Division and the Wage and Investment Division.

### **IMPACT ON TAXPAYERS**

The Electronic Federal Tax Payment System (EFTPS) is a tax payment system that allows business and individual taxpayers to pay their Federal taxes electronically via the Internet or telephone 24 hours a day, seven days a week. The IRS effectively communicated the electronic deposit regulation to business taxpayers, but it did not always timely contact business taxpayers when payments were missed. Business taxpayers who are not contacted timely accrue more interest and penalties and are not treated equitably with business taxpayers who are promptly contacted.

### **WHY TIGTA DID THE AUDIT**

Effective January 1, 2011, businesses not already required to use the EFTPS must now make their Federal Tax Deposit (FTD) payments electronically. The FTD Alert Program identifies at an early stage, *i.e.*, before the return is due, business taxpayers who have fallen behind in their deposits. This audit was initiated to assess whether the IRS is effectively managing the EFTPS and FTD Alert Programs.

### **WHAT TIGTA FOUND**

The IRS took positive steps to communicate and educate business taxpayers about the electronic deposit regulation that took effect on January 1, 2011. Additionally, the IRS developed and implemented communication plans to educate business taxpayers about the electronic deposit requirements. For example, it publicly released Program details on the IRS.gov website, through trade publications and webinars, and at presentations at the IRS Nationwide Tax Forums.

In November 2010, prior to the proposed regulation taking effect, the IRS issued an *Intention Letter* to 3.8 million business taxpayers who would be affected by the proposed regulation change. In December 2010, a

*Mandate Letter* was issued to 1.4 million business taxpayers who still had not activated their enrollment in the EFTPS or who continued to make deposits with an FTD coupon. The Letters informed the business taxpayers about the electronic deposit regulation and possible penalties if they failed to comply.

However, revenue officers (RO) did not always contact business taxpayers in a timely manner after receiving FTD Alert assignments. TIGTA reviewed a statistically valid sample of 96 high priority FTD Alert cases and found that the FTD Alerts were not always promptly assigned to the ROs and/or the ROs did not make timely contact with business taxpayers after the FTD Alert was assigned. Also, the case documentation did not include explanations for the delays. Business taxpayers paid less penalties and interest when an FTD Alert was immediately assigned to an RO and the business taxpayer was contacted within 15 calendar days of the FTD Alert being assigned.

### **WHAT TIGTA RECOMMENDED**

TIGTA recommended that the IRS establish criteria for timely group manager assignment of FTD Alerts to ROs and emphasize to group managers that they should ensure ROs contact business taxpayers within 15 calendar days of FTD Alert assignment.

In their response to the report, IRS officials agreed with the recommendations and plan to take appropriate corrective actions. The IRS plans to establish specific criteria and update the appropriate Internal Revenue Manual sections to ensure timely group manager assignment of FTD Alerts to ROs. The IRS also plans to issue guidance to ROs to emphasize the importance of timely assignment and contact of FTD Alerts.

### **READ THE FULL REPORT**

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

<http://www.treas.gov/tigta/auditreports/2012reports/201230092fr.pdf>

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