



Treasury Inspector General for Tax Administration Office of Audit

FISCAL YEAR 2014 REVIEW OF COMPLIANCE WITH LEGAL GUIDELINES WHEN CONDUCTING SEIZURES OF TAXPAYERS' PROPERTY

Issued on August 5, 2014

Highlights

Highlights of Report Number: 2014-30-053 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

Taking a taxpayer's property for unpaid tax is commonly referred to as a "seizure." To ensure that taxpayers' rights are protected, the IRS Restructuring and Reform Act of 1998 amended the seizure provisions in Internal Revenue Code (I.R.C.) Sections (§§) 6330 through 6344. These provisions govern many aspects of the seizure process from notification of the taxpayer through sale or redemption of the property.

WHY TIGTA DID THE AUDIT

TIGTA is required under I.R.C. § 7803(d)(1)(A)(iv) to annually evaluate the IRS's compliance with the legal seizure provisions to ensure that taxpayers' rights were not violated while seizures were being conducted. The overall objective of this review was to determine whether seizures conducted by the IRS complied with legal provisions set forth in I.R.C. §§ 6330 through 6344 and with the IRS's own internal procedures.

WHAT TIGTA FOUND

TIGTA reviewed a random sample of 50 of the 580 seizures conducted from July 1, 2012, through June 30, 2013, to determine whether the IRS complied with legal and internal guidelines when conducting each seizure.

In the majority of the seizures reviewed, the IRS followed all guidelines. However, in 14 seizures, TIGTA identified 19 instances in which the IRS did not comply with a particular I.R.C. requirement. Specifically, TIGTA found that:

- The sale of the seized property was not properly advertised. (I.R.C. § 6335(b))
- The balance-due letter sent to the taxpayer after sale proceeds were applied to the taxpayer's account did

not show the correct remaining balance. (I.R.C. § 6340(c))

- The amount of the liability for which the seizure was made was not correct on the notice of seizure provided to the taxpayer. (I.R.C. § 6335(a))
- The notice of the intent to levy and the notice of right to a hearing before the levy was not provided for each tax period listed on Form 668-B, *Levy*. (I.R.C. §§ 6330(a) and 6331(d))

When legal and internal guidelines are not followed, it could result in the abuse of taxpayers' rights. However, in the instances above, we did not identify any in which the taxpayers were adversely affected.

In addition, internal procedures do not require the IRS to retain a copy of all seizure sale advertisements, which would help them verify that their actions conformed with statutes, regulations, and Internal Revenue Manual procedural guidelines.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, Collection Policy, Small Business/Self-Employed Division, include an instruction in the Internal Revenue Manual that requires the Property Appraisal and Liquidation Specialist to retain a file copy of all print advertisements, a copy of any Internet advertisements and mail-in bid forms, and a text copy of information provided in any radio and television advertisements of seizure sales.

In their response to the report, IRS officials agreed with the recommendation and plan to take appropriate corrective action.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2014reports/201430053fr.pdf>.