Treasury Inspector General for Tax Administration
Office of Audit

THE FRESH START INITIATIVES HAVE BENEFITED MANY TAXPAYERS, BUT ADDITIONAL MONITORING AND EVALUATION IS NEEDED

Issued on December 30, 2014

Highlights

Highlights of Report Number: 2015-30-005 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

By Calendar Year 2009, the U.S. economy was well into what some economists have described as the worst economic crisis since the Great Depression. In January 2009, the IRS announced some existing and new alternatives available to taxpayers facing financial challenges and having difficulties paying their balance due accounts because of the declining economy. In February 2011, the IRS began implementing the first of several initiatives to assist economically distressed taxpayers by offering viable collection alternatives to help resolve their delinquent balance due accounts. These initiatives are known as the Fresh Start Initiatives.

WHY TIGTA DID THE AUDIT

Although the Fresh Start Initiatives helped many struggling taxpayers resolve their outstanding tax liabilities, if the potential risks are not fully mitigated, revenue collection could be jeopardized. This audit was initiated to determine the impact of the Fresh Start Initiatives in promoting tax compliance.

WHAT TIGTA FOUND

The IRS's implementation of the Fresh Start Initiatives provided several benefits to thousands of struggling taxpayers. For example, the number of Notices of Federal Tax Lien (NFTL) filed on taxpayers with assessed liabilities less than $10,000 decreased 60 percent, from 488,378 in Fiscal Year 2010 to 195,009 in Fiscal Year 2013. Many other taxpayers benefited from streamlined procedures for processing installment agreements and offers in compromise. In addition, penalties were not assessed on certain taxpayers who requested a filing extension.

Although the Fresh Start Initiatives were generally implemented effectively, additional attention should be given in a few areas. For example, 524 taxpayers, who owed approximately $10.5 million, defaulted on their Direct Debit Installment Agreements after the IRS had withdrawn the NFTLs, yet the IRS did not file new NFTLs. In addition, the IRS has not fully assessed the revenue impact of filing fewer NFTLs. Performance measures may have helped identify potential problems and areas for improvement, but they were not established for all of the initiatives.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS: 1) ensure new NFTLs are filed for the 524 taxpayers who defaulted on their Direct Debit Installment Agreements after their NFTLs were withdrawn; 2) establish controls to ensure that new NFTLs are filed on taxpayers who default on their Direct Debit Installment Agreements; 3) assess the long-term revenue protection impact of the Fresh Start Initiative that increased the minimum dollar threshold for NFTL determinations in Field Collection; and 4) establish methods to monitor and assess the performance of the Fresh Start Initiatives.

In its response to the report, IRS management generally agreed with our recommendations. They plan to review case files and take action when appropriate for the 524 taxpayers, determine the viability of making a systemic enhancement or procedural changes for filing new NFTLs, and initiate a research request to evaluate potential revenue protection impact on NFTL filing determinations. Although IRS management agreed that there should be established methods to assess performance, they have limited information technology resources to commit to a submission or completion of a work request at this time.

READ THE FULL REPORT

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

http://www.treas.gov/tigta/auditreports/2015reports/201530005fr.pdf.