



Treasury Inspector General for Tax Administration Office of Audit

ADDITIONAL ACTIONS ARE NEEDED TO PROTECT TAXPAYERS' RIGHTS DURING THE LIEN DUE PROCESS

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Highlights

Highlights of Report Number: 2009-30-089 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed 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 5 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

This audit was initiated because TIGTA is required by law to determine annually whether lien notices sent 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, 2008, and determined that the IRS mailed all 125 lien notices in a timely manner, as required in Internal Revenue Code Section 6320. However, the IRS did not always follow its own regulations and internal guidelines for notifying taxpayers' representatives of the filing of lien notices. IRS regulations require that taxpayer representatives be given copies of all correspondence issued to the taxpayer. For 8 of the 27 cases in our statistically valid sample where the taxpayer had an authorized representative, the IRS did not notify the taxpayer's representative of the lien filing. The IRS did not have an automated process that updated taxpayer representative information directly with the system that generates the lien notices. TIGTA estimated that 45,554 taxpayer representatives may not have been provided lien

notices, resulting in potential violations of the taxpayers' right to have their representative notified of the filing of a lien notice.

When an initial lien notice is returned because it could not be delivered and a different address is available for the taxpayer, the IRS does not always meet its statutory requirement to send the lien notice to the taxpayer's last known address. For 234 (83 percent) of 283 cases in our judgmental sample, employees did not timely research IRS computer systems for different addresses. In addition, TIGTA identified 17 cases for which a new lien notice should have been sent to the taxpayer at the updated address because the IRS systems listed the address prior to the lien filing. The 17 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 IRS 1) establish an automated process that would systemically upload taxpayer representative information directly from the Centralized Authorization File to the Automated Lien System (ALS), 2) determine why lien notices were not sent to taxpayers' representatives in the cases where the lien was initiated after the upload of Centralized Authorization File information to the Automated Collection System was automated, and 3) take actions to correct the problem. TIGTA also recommended that the IRS establish an automated check of a taxpayer's last known address in the ALS prior to printing a lien notice.

In their response to the report, IRS management agreed with the recommendations. The IRS plans to determine the feasibility of establishing an automated process that would systemically upload taxpayer representative information directly from the Centralized Authorization File to the ALS and, if feasible, request and implement programming enhancements. Also, the IRS plans to review current programming of systems interfacing with the ALS with systems owners to ensure taxpayer representative notifications are sent to the ALS for each lien when multiple liens are requested and, if required, prepare and issue memorandums requiring programming corrections be initiated to ensure a separate taxpayer representative notification is issued with each lien request. The IRS also plans to determine if the ALS can accommodate Integrated Data Retrieval System real-time data exchange and, if feasible, initiate programming work requests.

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/200930089fr.pdf>.

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