



## Treasury Inspector General for Tax Administration Office of Audit

### **COLLECTION ACTIONS ON ABUSIVE TAX AVOIDANCE TRANSACTION CASES ARE GENERALLY EFFECTIVE, BUT MEASURES TO EVALUATE PERFORMANCE RESULTS ARE NEEDED**

Issued on June 19, 2009

## Highlights

Highlights of Report Number: 2009-30-092 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

### **IMPACT ON TAXPAYERS**

Abusive Tax Avoidance Transactions (ATAT) are transactions or schemes that reduce tax liability by taking a tax position that is not supported by the Internal Revenue Code or by manipulating the law in a way that is not consistent with its intent. While the Internal Revenue Service (IRS) ATAT Collection Program (hereafter referred to as the ATAT Collection Program or the Program) effectively pursued the collection of penalty and tax assessments, it did not have appropriate measures available to provide an overall assessment of the ATAT Collection Program's results. Without measures, the IRS cannot effectively communicate and educate taxpayers about the success of IRS collection activities taken to stop the use of abusive transactions.

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

This audit was initiated as part of TIGTA's Fiscal Year 2008 Annual Audit Plan under the major management challenge of Tax Compliance Initiatives. The overall objective of this review was to determine whether the Small Business/Self-Employed Division ATAT Collection Program effectively and efficiently collects tax assessments and penalties imposed against promoters and/or participants of ATATs.

### **WHAT TIGTA FOUND**

The ATAT Collection Program effectively pursued the collection of penalty and tax assessments. In addition, the Program provided collection support to the Examination function and other functions during promoter investigations, identified and assigned high-priority ATAT promoter and participant cases, and generally complied with quality and timeliness standards. However, the Program does not have appropriate measures available to provide an overall

assessment of the ATAT Collection Program's results. Instead, the Program has inventory indicators in place that are used in evaluating staffing resources needed. These indicators include the number of cases in inventory, the number of direct staff hours expended, and the number of case dispositions. However, these indicators do not measure overall success. Without measures to determine the success of its activities, the IRS cannot effectively determine whether the ATAT Collection Program is achieving desired results, make appropriate changes to it if necessary, or communicate and educate the public on the success of IRS collection activities taken to stop the use of abusive transactions.

### **WHAT TIGTA RECOMMENDED**

TIGTA recommended that the Director, Collection, Small Business/Self-Employed Division, ensure that program performance measures are developed to measure the success of the ATAT Collection Program.

In their response to the report, IRS officials agreed with our recommendation and plan to identify appropriate ATAT Collection Program outcome measures that can be segregated from existing data collection programs. They will also identify Collection function ATAT-specific results measures and explore means to collect them.

### **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/200930092fr.pdf>.

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