



Treasury Inspector General for Tax Administration Office of Audit

FISCAL YEAR 2012 STATUTORY AUDIT OF COMPLIANCE WITH NOTIFYING TAXPAYERS OF THEIR RIGHTS WHEN REQUESTED TO EXTEND THE ASSESSMENT STATUTE

Issued on September 4, 2012

Highlights

Highlights of Report Number: 2012-30-102 to the Internal Revenue Service Deputy Commissioner for Services and Enforcement.

IMPACT ON TAXPAYERS

The IRS is required to notify taxpayers of their rights when requesting an extension of the statute of limitations for assessing additional taxes and penalties. Based on the results of our review, TIGTA believes the IRS is complying with the intent of the law; however, there were some instances in which IRS employees did not document whether taxpayers or their representatives were advised of these rights. Taxpayers might be adversely affected if the IRS does not follow requirements to notify both the taxpayers and their representatives of the taxpayers' rights related to statute extensions.

WHY TIGTA DID THE AUDIT

TIGTA is required by law to annually determine whether the IRS complied with Internal Revenue Code Section 6501(c)(4)(B). This requires the IRS to notify taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to specific issues or a specific period of time.

WHAT TIGTA FOUND

TIGTA's review of a statistical sample of 115 closed taxpayer audit files with statute extensions found that the IRS is compliant with Internal Revenue Code Section 6501(c)(4)(B). However, four of the taxpayer audit files did not contain documentation to indicate whether taxpayers were directly advised of their rights before consenting to extend the time to assess tax. In each of the four instances, the taxpayers' representative signed Form 872, *Consent to Extend the Time to Assess Tax*, and was notified of taxpayer rights regarding extending the assessment statute of limitations. Although notification to the taxpayers' representatives appears to meet the intent of the law, the IRS's internal procedures require notification to be provided to both the taxpayer and the representative.

In addition, TIGTA's review found instances in which there was no documentation to support that the IRS complied with IRS procedures related to notifying taxpayers' representatives when an authorization for third-party representation existed. Our review included 100 taxpayer audit files that had authorizations for third-party representation and found that three of the taxpayer audit files did not contain documentation that the taxpayers' representatives were provided with the required notifications.

WHAT TIGTA RECOMMENDED

TIGTA did not make any recommendations in this report because the number of errors was relatively small and recommendations made in our previous audit reports are still valid for the issues reported. Although we made no recommendations in this report, we did provide IRS officials with an opportunity to review the draft report. IRS management did not provide any report comments.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2012reports/201230102fr.pdf>.