



Treasury Inspector General for Tax Administration Office of Audit

FISCAL YEAR 2014 STATUTORY REVIEW OF COMPLIANCE WITH NOTICE OF FEDERAL TAX LIEN DUE PROCESS PROCEDURES

Issued on September 5, 2014

Highlights

Highlights of Report Number: 2014-30-061 to the Internal Revenue Service Commissioners for the Small Business/Self-Employed and the Wage and Investment Divisions.

IMPACT ON TAXPAYERS

After filing Forms 668(Y)(c), *Notices of Federal Tax Lien* (NFTL), the IRS must notify the affected taxpayers in writing, at their last known address, within five business days of the lien filings. Taxpayers' rights to appeal the NFTL filings may be jeopardized if the IRS does not comply with this statutory requirement.

WHY TIGTA DID THE AUDIT

TIGTA is required by law to determine annually whether lien notices issued by the IRS comply with the legal requirements set forth in Internal Revenue Code Section 6320(a) and related guidance in the Federal Tax Liens Handbook.

WHAT TIGTA FOUND

TIGTA reviewed a statistically valid sample of 133 NFTLs filed for the 12-month period beginning July 1, 2012, and ending June 30, 2013, and determined that the IRS timely and correctly mailed the taxpayers the notices of lien filing and appeal rights, as required by Internal Revenue Code Section 6320(a).

IRS regulations require that taxpayer representatives be provided copies of all correspondence issued to the taxpayer. The IRS properly notified the taxpayer's representative in nearly all of the cases for which the taxpayer had an authorized representative.

However, the IRS did not always follow internal procedures for undelivered lien notices. Procedures require address verification and, if applicable, resolution of the undelivered lien notices within 14 calendar days of receipt.

TIGTA selected a judgmental sample of 205 undelivered lien notices returned to the Cincinnati (102 lien notices) and Fresno (103 lien notices) Campuses in February and March 2014. For 61 of the 205 sampled lien

notices, employees did not perform the required research to attempt to address the undeliverable issue within 14 calendar days of receipt of the returned lien notice. In addition, the IRS did not always follow internal procedures designed to monitor undelivered lien notices.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, Campus Compliance Services, Small Business/Self-Employed Division, make improvements to the handling of undelivered lien notices by ensuring that Internal Revenue Manual requirements are followed in regards to timely research and documentation, as well as remind Automated Collection System Support function managers to provide feedback to employees regarding timely research and documentation requirements for handling undelivered lien notices when appropriate.

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/201430061fr.pdf>.