



Treasury Inspector General for Tax Administration Office of Audit

COLLECTION ALTERNATIVES WERE AVAILABLE TO ECONOMICALLY DISTRESSED TAXPAYERS, BUT SOME NEW PROCESSES NEED IMPROVEMENT

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Highlights

Highlights of Report Number: 2010-30-032 to the Internal Revenue Service Chief, Communications and Liaison; Commissioner, Small Business/Self-Employed Division; and, Commissioner, Wage and Investment Division.

IMPACT ON TAXPAYERS

Collection provisions offer many viable alternatives to help resolve taxpayers' balance due accounts. When the economy weakened, the Internal Revenue Service (IRS) proactively implemented or re-emphasized provisions that will help economically distressed taxpayers. However, some of the actions could jeopardize collections and, at times, some taxpayers may have had difficulty identifying the alternatives if they were unfamiliar with IRS resources.

WHY TIGTA DID THE AUDIT

The record numbers of homeowners falling behind on mortgage payments and the economy losing jobs at an alarming rate resulted in taxpayers facing financial difficulties which impacted their ability to meet tax obligations. In a January 2009 news release, the IRS highlighted some existing and new alternatives available to taxpayers facing financial challenges due to the declining economy. The objective of this review was to determine whether the IRS effectively implemented provisions identified to assist economically distressed taxpayers having difficulties paying their balance due accounts.

WHAT TIGTA FOUND

New provisions, along with modifications to and re-emphasis of existing procedures, provide many viable alternatives to help resolve taxpayers' balance due accounts. The provisions were widely communicated to the public and tax preparers through various public media outlets and presentations. In addition, the provisions and procedures were communicated to IRS employees through various channels and in updates to the Internal Revenue Manual.

However, when implementing a new process to allow individual taxpayers an additional payment skip on installment agreements, more payment skips were allowed than initially planned.

In addition, the new payment skip was occurring for taxpayers who were not initially intended to receive the additional flexibility.

Additionally, the IRS added a webpage containing various scenarios to its web site. The scenarios contain options that might be available to help financially distressed taxpayers meet their tax obligations. However, the direct link has not always been present. For example, it was not displayed from the last week of September to the first week of December 2009.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS 1) revise computer programming to remove the unintended consequences from the processing routine and 2) ensure that the link to the various scenarios remains on the IRS home page and/or the Tax Information for Individuals page until the economy recovers.

In their response to the report, IRS officials agreed with our findings and recommendations. They plan to modify the systemic installment agreement payment skips to allow only 2 in a rolling 12-month period. They have also added a link to the scenarios on the Tax Information for Individuals page and plan to leave it there indefinitely. In addition, they plan to place the link on the IRS home page as often as possible.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2010reports/201030032fr.pdf>.

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