



## Treasury Inspector General for Tax Administration Office of Audit

### PROCEDURES ALLOWED INCONSISTENT PROCESSING OF STREAMLINED INSTALLMENT AGREEMENTS

Issued on July 8, 2011

## Highlights

Highlights of Report Number: 2011-30-063 to the Internal Revenue Service Commissioners for the Small Business/Self-Employed Division and the Wage and Investment Division.

### IMPACT ON TAXPAYERS

Taxpayers can make payments for their taxes in installment payments if it will facilitate collection of the liabilities. However, some agreements will not be paid off when expected or were reinstated after multiple defaults, and options about how to avoid the user fees were not consistently communicated to taxpayers. Taxpayers paid more than \$1 million in user fees that could have been avoided, and thousands of taxpayers may have been surprised to learn they still owed taxes after they completed the terms of their streamlined installment agreements.

### WHY TIGTA DID THE AUDIT

The objective of this review was to determine whether streamlined installment agreement requirements are consistently applied. TIGTA also evaluated the processing of defaulted streamlined installment agreements for potential improvements.

### WHAT TIGTA FOUND

The streamlined installment agreement program has brought in large amounts of revenue with minimal Internal Revenue Service (IRS) processing, while decreasing taxpayer burden by reducing the amount of documentation required. In Fiscal Year 2010, approximately 3.1 million taxpayers entered into streamlined installment agreements. In the same period, approximately \$5.9 billion was collected and 1.7 million taxpayers fully paid their liabilities through streamlined installment agreements.

Although the IRS was following procedures for processing streamlined installment agreements, the procedures allowed for inconsistent processing and treatment of taxpayers. Specifically, payment amounts for some streamlined installment agreements will not fully pay the liability within 60 months, streamlined installment agreements with multiple defaults were

reinstated without additional review, and taxpayers were not always offered extensions to pay instead of streamlined installment agreements.

Inconsistent processing and treatment of taxpayers may cause inefficient use of IRS resources and jeopardize the IRS's ability to collect tax liabilities. Inconsistencies can also cause economic hardships on taxpayers and may lead to future tax liabilities.

### WHAT TIGTA RECOMMENDED

TIGTA made several recommendations to revise the streamlined installment agreement procedures.

In their response to the report, IRS officials agreed with the recommendations and plan to take steps to address our concerns. However, IRS officials disagreed with the reported outcome measure because they do not believe all taxpayers would have waived appeal rights to avoid paying an installment agreement user fee. TIGTA maintains the reported outcome measure is reasonable. TIGTA agrees that it is unknown if all taxpayers would have waived appeal rights, which is why the outcome measure is reported as "potential."

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2011reports/201130063fr.pdf>.

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