



*Fiscal Year 2013 Review of Compliance With  
Legal Guidelines When Conducting Seizures  
of Taxpayers' Property*

**June 12, 2013**

**Reference Number: 2013-30-061**

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

**Redaction Legend:**

1 = Tax Return/Return Information

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## HIGHLIGHTS

### FISCAL YEAR 2013 REVIEW OF COMPLIANCE WITH LEGAL GUIDELINES WHEN CONDUCTING SEIZURES OF TAXPAYERS' PROPERTY

## Highlights

Final Report issued on June 12, 2013

Highlights of Reference Number: 2013-30-061 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

### IMPACT ON TAXPAYERS

Taking a taxpayer's property for unpaid tax is commonly referred to as a "seizure." To ensure that taxpayers' rights are protected in this process, the IRS Restructuring and Reform Act of 1998 amended the seizure provisions in Internal Revenue Code (I.R.C.) Sections (§§) 6330 through 6344. The IRS did not always comply with certain statutory requirements. Noncompliance with these I.R.C. requirements could result in abuses of taxpayers' rights.

### WHY TIGTA DID THE AUDIT

TIGTA is required under I.R.C. § 7803(d)(1)(A)(iv) to annually evaluate the IRS's compliance with the legal seizure provisions to ensure that taxpayers' rights were not violated while seizures were being conducted.

### WHAT TIGTA FOUND

TIGTA reviewed a random sample of 50 of the 738 seizures conducted from July 1, 2011, through June 30, 2012, to determine whether the IRS is complying with legal and internal guidelines when conducting each seizure.

In the majority of seizures, the IRS followed all guidelines. However, in 15 seizures, TIGTA identified 17 instances in which the IRS did not comply with a particular I.R.C. requirement.

Specifically, TIGTA found:

- The sale of the seized property was not properly advertised. (I.R.C. § 6335(b))

- The amount of the liability for which the seizure was made was not correct on the notice of seizure provided to the taxpayer. (I.R.C. § 6335(a))
- Proceeds resulting from the seizure of properties were not properly applied to the taxpayer's account or seizure and sale expenses were not properly charged. (I.R.C. §§ 6341 and 6342(a))
- The balance-due letter sent to the taxpayer after sale proceeds were applied to the taxpayer's account did not show the correct remaining balance. (I.R.C. § 6340(c))

### WHAT TIGTA RECOMMENDED

TIGTA made no recommendations in this report. IRS officials were provided an opportunity to review the draft report and did not provide comments.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

June 12, 2013

**MEMORANDUM FOR** COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED  
DIVISION

**FROM:** Michael E. McKenney  
Acting Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Fiscal Year 2013 Review of Compliance With  
Legal Guidelines When Conducting Seizures of Taxpayers' Property  
(Audit # 201330002)

This report presents the results of our review to determine whether seizures<sup>1</sup> conducted by the Internal Revenue Service (IRS) complied with legal provisions set forth in Internal Revenue Code (I.R.C.) Sections (§§) 6330 through 6344 and with the IRS's own internal procedures. The Treasury Inspector General for Tax Administration (TIGTA) is required under I.R.C. § 7803(d)(1)(A)(iv) to annually evaluate the IRS's compliance with the legal seizure provisions to ensure that taxpayers' rights were not violated while seizures were being conducted. We have evaluated the IRS's compliance with the seizure provisions since Fiscal Year 1999. The audit is included in our Fiscal Year 2013 Annual Audit Plan and addresses the major management challenge of Taxpayer Protection and Rights.

Although TIGTA made no recommendations in this report, IRS officials were provided an opportunity to review the draft report. IRS management did not provide any report comments.

Copies of this report are also being sent to the IRS managers affected by this report. If you have any questions, please contact me or Augusta R. Cook, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations).

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<sup>1</sup> Taking a taxpayer's property for unpaid tax is commonly referred to as a seizure.



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*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

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*Table of Contents*

**Background** ..... Page 1

**Results of Review** ..... Page 3

    Legal Provisions and Internal Procedures Were Not  
    Always Adhered to When Conducting Seizures..... Page 3

**Appendices**

    Appendix I – Detailed Objective, Scope, and Methodology ..... Page 7

    Appendix II – Major Contributors to This Report..... Page 8

    Appendix III – Report Distribution List ..... Page 9

    Appendix IV – Outcome Measure ..... Page 10

    Appendix V – Synopsis of Selected Legal Provisions for  
    Conducting Seizures ..... Page 11

    Appendix VI – Prior Treasury Inspector General for Tax  
    Administration Reports on Compliance With Seizure Procedures..... Page 14



*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

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*Abbreviations*

I.R.C.	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
TIGTA	Treasury Inspector General for Tax Administration



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*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

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## *Background*

The collection of unpaid tax by the Internal Revenue Service (IRS) generally begins with letters to the taxpayer followed by telephone calls and personal contacts by an IRS employee. The employees who make personal contacts are referred to as revenue officers. They consider the taxpayer's ability to pay the tax and discuss alternatives, such as an installment agreement or an offer in compromise.<sup>1</sup> If these actions have been taken and the taxpayer has not fully paid the tax due, the revenue officer has the authority to take the taxpayer's funds or property for the payment of tax. Taking a taxpayer's property for unpaid tax is commonly referred to as a "seizure."

To ensure that taxpayer rights are protected, the IRS Restructuring and Reform Act of 1998<sup>2</sup> amended the seizure provisions in Internal Revenue Code (I.R.C.) Sections (§§) 6330 through 6344. These provisions and the IRS's internal procedures are very specific regarding how a seizure should be performed. See Appendix V for a synopsis of the applicable legal provisions.

The Treasury Inspector General for Tax Administration (TIGTA) is required under I.R.C. § 7803(d)(1)(A)(iv) to annually evaluate the IRS's compliance with these legal seizure provisions. We have evaluated the IRS's compliance with the seizure provisions since Fiscal Year<sup>3</sup> 1999. See Appendix VI for a list of all prior audit reports issued on the IRS's compliance with seizure procedures.

Following passage of the IRS Restructuring and Reform Act of 1998, IRS seizures decreased from 10,090 in Fiscal Year 1997 to 74 in Fiscal Year 2000. The number of seizures has increased since Fiscal Year 2000; however, seizures in Fiscal Year 2012 were still only 7 percent of those reported for Fiscal Year 1997. It is unlikely that they will ever return to pre-1998 levels. Figure 1 illustrates the number of seizures made over the past five fiscal years.

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<sup>1</sup> An offer in compromise is a proposal by a taxpayer to settle an unpaid account(s) for less than the full amount of the balance due.

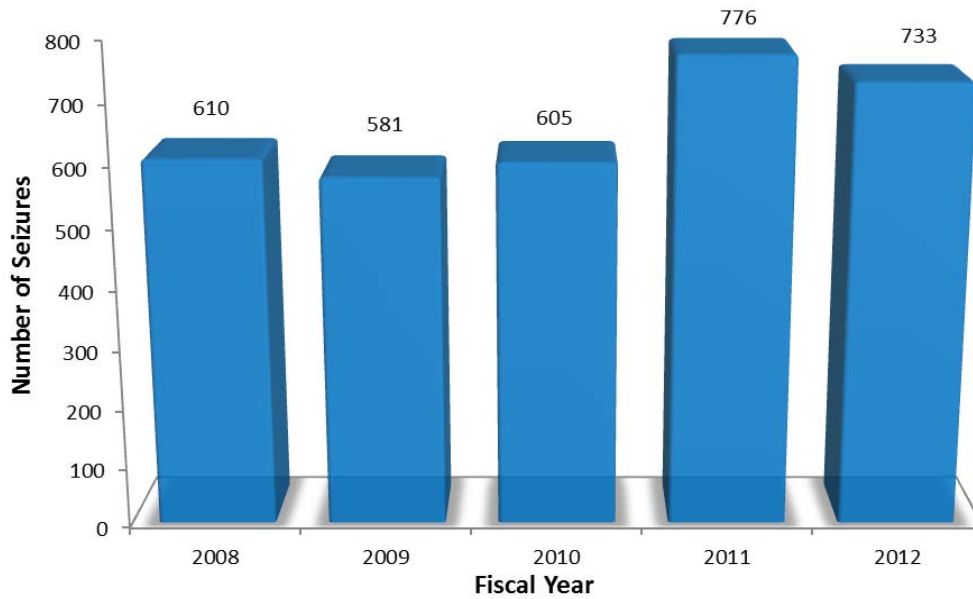
<sup>2</sup> Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

<sup>3</sup> A 12-consecutive-month period ending on the last day of any month. The Federal Government's fiscal year begins on October 1 and ends on September 30.



*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

**Figure 1: IRS Seizures by Fiscal Year**



Source: *IRS Data Books*.<sup>4</sup>

This review was performed at the Small Business/Self-Employed Division Headquarters in New Carrollton, Maryland, during the period October 2012 through March 2013. The audit focused on determining whether the IRS conducted seizures in compliance with legal and internal procedures. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

<sup>4</sup> The IRS Data Book is a report that describes activities conducted by the IRS during the fiscal year.



*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

*Results of Review*

***Legal Provisions and Internal Procedures Were Not Always Adhered to When Conducting Seizures***

A review of a random sample of 50 seizures from the 738 seizures the IRS conducted from July 1, 2011, through June 30, 2012, showed that in the majority of seizures reviewed, the IRS followed legal and internal guidelines applicable to the respective case.<sup>5</sup> However, in 15 seizures, we identified 17 instances in which the IRS did not comply with a particular I.R.C. requirement.<sup>6</sup> Not following the legal and internal guidelines could result in the abuse of taxpayers' rights. Specifically, we identified:

- Eight instances in which the sale of the seized property was not properly advertised. (I.R.C. § 6335(b))
- Four instances in which the amount of the liability for which the seizure was made was not correct on the notice of seizure provided to the taxpayer. (I.R.C. § 6335(a))
- **\*\*1\*\*** instances in which proceeds resulting from the seizure were not properly applied to the taxpayer's account **\*\*1\*\*** seizure and sale expenses were not properly charged. (I.R.C. § 6341 and § 6342(a))
- \*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*

IRS management agreed to take corrective action after TIGTA presented its findings.

***Sales of seized properties were not always properly advertised***

I.R.C. § 6335(b) requires the IRS, as soon as practicable after the seizure of property, to give notice of the sale in writing to the owner and to publish the notice in a newspaper distributed within the county where the seizure was made. If there is no newspaper published or generally circulated in the county, the IRS must post the notice at the post office closest to the place of the

<sup>5</sup> Our review included a total of 58 guidelines for each seizure. The guidelines applicable for each seizure vary due to the timing between the date of the seizure and the date of our review. For example, at the time of our review, the sale for the seized property may not have been advertised, the sale may have been advertised but had not yet occurred, the property may have been redeemed or released prior to sale, or the property may have been sold.

<sup>6</sup> Two seizures had two occurrences in which the IRS did not comply with a particular I.R.C. requirement.





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## *Fiscal Year 2013 Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property*

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seizure and at least two other public places. The notice must specify the property to be sold and the time, place, manner, and conditions of the sale.

The Internal Revenue Manual (IRM) requires that the notice of sale contain the description of the property; the date, time, and place of sale; the payment terms; and information on the grouping of property.<sup>7</sup> However, neither the IRM section nor the corresponding exhibit, *Template to Provide Publisher to Meet Statutory Requirements of Advertising*,<sup>8</sup> states that the newspaper advertisement must contain the same information as provided on Form 2434, *Notice of Public Auction Sale*, or when applicable on Form 2434–A, *Notice of Sealed Bid Sale*.

We identified eight seizures in which the newspaper advertisements for the sale of the respective seized properties did not include the same information as in the notice given to the taxpayer. Based on a prior TIGTA recommendation,<sup>9</sup> the IRS plans to revise the IRM to require that the advertisement contain the same information as the notice of sale; however, the seizures in this review were conducted prior to implementation of this change, so we are not making any new recommendations.

### **Taxpayers were not always provided a notice of seizure with the correct liability balance for which the seizure was made**

I.R.C. § 6335(a) requires the IRS, as soon as practicable after the seizure of property, to provide the owner of the property with a notice in writing that specifies the liability for which the seizure was made and an accounting of the property seized.

The IRM<sup>10</sup> provides guidance on completing Form 2433, *Notice of Seizure*.<sup>11</sup> It requires that the liability shown on Form 2433 agrees with the taxpayer's total amount due for the tax modules<sup>12</sup> listed on the Form 668-B, *Levy*.<sup>13</sup> This amount should include all accruals and match the Total Amount Due on Form 668-B. If there is a difference in amount, it should be documented in the Integrated Collection System<sup>14</sup> history. The items of property seized should be described and identified with reasonable certainty in an inventory listed on the Form 2433 or in an attachment to the Form 2433. We identified four seizures in which the respective Forms 2433 provided to

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<sup>7</sup> IRM 5.10.4.12 (4) (Jul. 3, 2009).

<sup>8</sup> IRM Exhibit 5.10.4-6 (Jul. 3, 2009).

<sup>9</sup> TIGTA, Ref. No 2012-30-072, *Fiscal Year 2012 Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property* p. 6 (Jun. 2012).

<sup>10</sup> IRM Exhibit 5.10.3-4 (Jan. 22, 2008).

<sup>11</sup> Form 2433 is the taxpayer's receipt for the seized property. The document specifies the sum demanded: for personal property, a list of the property seized; and for real property, a description of the property seized.

<sup>12</sup> Tax module refers to each tax return filed by the taxpayer for a specific period (year and quarter) during a calendar year for each type of tax.

<sup>13</sup> A levy is a means to take property by legal authority to satisfy a tax debt. The IRS uses a levy as a tool to collect on balance-due accounts that are not being paid voluntarily.

<sup>14</sup> The Integrated Collection System is an automated system used to control and monitor delinquent cases assigned to revenue officers in the field offices.



*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

the taxpayer did not show the correct liability for which the seizure was made. Because the number of errors was small and they did not appear to be systemic in nature, we are not making any recommendations for this issue.

**Expenses and proceeds resulting from seizures were not always properly applied to taxpayers' accounts**

I.R.C. § 6341 states that the IRS shall determine the expenses to be allowed in all cases of levy and sale. The IRM<sup>15</sup> requires that all expenses of seizure and sale that are not paid directly by the taxpayer be charged to the taxpayer's account with a Transaction Code<sup>16</sup> 360, Fees and Collection Costs. The IRM also states that it is essential that all expenses of the seizure and sale be charged against the taxpayer's account so that the expenses are satisfied from the proceeds of the seizure or sale.

I.R.C. § 6342(a) and the IRM require that any money realized by seizure or by sale of seized property be applied in the following order:

- 1) Against the expenses of the proceedings.
- 2) Against any unpaid tax imposed by any Internal Revenue law against the property seized and sold, *e.g.*, an excise tax.
- 3) Against the liability with respect to which the levy was made or the sale was conducted (the accounts appearing on Form 668-B).

Because the I.R.C. requires that funds realized under seizure and sale proceedings be applied first to the expenses of the levy and sale, the IRM<sup>17</sup> requires that the proceeds be credited to the taxpayer's account using a Transaction Code 694, Designated Payment of Fees and Collection Costs, for the amount of the expenses.

\*\*\*\*\*1\*\*\*\*\*  
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Because the number of errors was small and they did not appear to be systemic in nature, we are not making any recommendations for this issue.

<sup>15</sup> IRM 5.10.6.2(1) (Jul. 3, 2009).

<sup>16</sup> Transaction codes are used to identify transactions being processed on the IRS's computer systems and to maintain a history of the actions posted to a taxpayer's account.

<sup>17</sup> IRM 5.10.6.2(2) (Jul. 3, 2009).



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*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

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**Balance-due letters sent to the taxpayers did not always show the correct remaining balance**

I.R.C. § 6340(a) requires that the IRS keep a record of all sales of property. The record should include the tax for which any such sale was made, the dates of the seizure and sale, the name of the party assessed, all proceedings in making the sale, the amount of expenses, the names of the purchasers, and the date of the deed or certificate of sale of personal property. I.R.C. § 6340(c) requires that the taxpayer be furnished the record of sale under subsection (a) (other than the names of the purchasers), the amount from such sale applied to the taxpayer's liability, and the remaining balance of such liability.

The IRM<sup>18</sup> lists three documents to be retained in the permanent record and to be provided to the taxpayer. Those documents are: Record 21, *Record of Seizure and Sale*;<sup>19</sup> Form 2434-B, *Notice of Encumbrances Against or Interests in Property Offered for Sale*; and Letter 3074, *Transmittal Letter Providing Balance Remaining on the Account after Application of Proceeds*. \*\*1\*\*

\*\*\*\*\*1\*\*\*\*\*

\*\*1\*\*\*. Because the number of errors is small and they do not appear to be systemic in nature, we are not making any recommendations for this issue.

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<sup>18</sup> IRM 5.10.6.12 (2) (Jul. 3, 2009).

<sup>19</sup> Record 21 is a three-part form that documents various aspects of the seizure and sale process. It includes information such as the assessments under which the seizure was made, description of the property seized, information regarding the advertisement of the sale, the proceeds and expenses of the seizure and sale, and the date on which the certificate of sale was issued and to whom.



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*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

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## **Appendix I**

### *Detailed Objective, Scope, and Methodology*

The overall objective of this review was to determine whether seizures<sup>1</sup> conducted by the IRS complied with legal provisions set forth in I.R.C. Sections (§§) 6330 through 6344 and with the IRS's own internal procedures.<sup>2</sup> To accomplish our objective, we:

- I. Obtained documentation of national guidelines provided to employees; identified IRS systems, policies, and practices for ensuring compliance with legal provisions and internal procedures related to seizures; and determined how these tools were used.
- II. Selected and reviewed a random sample of 50 of the 738 seizures conducted by the IRS from July 1, 2011, through June 30, 2012. We reviewed the sample of seizures to determine whether the IRS complied with legal provisions and internal procedures. We used a random sample to ensure that each of the 738 seizures had an equal chance of being selected.

#### **Internal controls methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: the Small Business/Self-Employed Division Collection function's policies, procedures, and practices for conducting seizures of taxpayers' property under the provisions of I.R.C. §§ 6330 through 6344. We did not assess internal controls because doing so was not applicable within the context of our audit objective to determine whether the IRS complied with these legal provisions.

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<sup>1</sup> Taking a taxpayer's property for unpaid tax is commonly referred to as a seizure.

<sup>2</sup> This audit was not intended to determine whether the decision to seize was appropriate or to identify the cause of any violations.



*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

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**Appendix II**

*Major Contributors to This Report*

Carl L. Aley, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations)  
Augusta R. Cook, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations)  
Frank Dunleavy, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations)  
Timothy F. Greiner, Acting Director  
Glen J. Rhoades, Audit Manager  
Janis Zuika, Lead Auditor  
Bridgid E. Shannon, Auditor



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*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

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**Appendix III**

*Report Distribution List*

Principal Deputy Commissioner  
Office of the Commissioner – Attn: Chief of Staff C  
The Office of Deputy Commissioner for Services and Enforcement SE  
Deputy Commissioner, Small Business/Self-Employed Division SE:S  
Director, Field Collection, Small Business/Self-Employed Division SE:S:C  
Director, Collection Policy, Small Business/Self-Employed Division SE:S:C:CP  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Office of Internal Control OS:CFO:CPIC:IC  
Audit Liaison: Commissioner, Small Business/Self-Employed Division SE:S



*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

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## **Appendix IV**

### *Outcome Measure*

This appendix presents detailed information on the measurable impact that our review will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

#### **Type and Value of Outcome Measure:**

- Taxpayer Rights and Entitlements – Actual; 14 taxpayers<sup>1</sup> for whom the IRS did not comply with legal provisions and internal procedures when conducting seizures<sup>2</sup> (see page 3).

#### **Methodology Used to Measure the Reported Benefit:**

We selected and reviewed a random sample of 50 of the 738 seizures conducted from July 1, 2011, through June 30, 2012. Not adhering to legal and internal guidelines could result in the abuse of taxpayers' rights.

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<sup>1</sup> We identified 15 seizures in which the IRS did not follow all legal and internal guidelines. In one of these seizures, the violations only involved administrative or accounting guidelines that would not reasonably be expected to result in abuses of taxpayer rights.

<sup>2</sup> Taking a taxpayer's property for unpaid tax is commonly referred to as a seizure.



## **Appendix V**

### *Synopsis of Selected Legal Provisions for Conducting Seizures*

**I.R.C. Section (§) 6330** requires that the IRS issue the taxpayer a notice of his or her right to a hearing prior to seizure<sup>1</sup> action. The notice must be 1) given in person, 2) left at the taxpayer's home or business, or 3) mailed as certified-return receipt requested no fewer than 30 calendar days before the day of the seizure. The notice must explain in simple terms 1) the amount owed, 2) the right to request a hearing during the 30-calendar-day period, and 3) the proposed action by the IRS and the taxpayer's rights with respect to such action.

The statute of limitations for collection is suspended from the time a taxpayer requests a hearing and while such hearings and appeals are pending, except when the underlying tax liability is not at issue in the appeal and the court determines that the IRS has shown good cause not to suspend the seizure. No limitation period may expire before 90 calendar days after a final determination. These procedures do not apply if the collection of tax is at risk.

**I.R.C. § 6331** authorizes the IRS to seize a taxpayer's property for unpaid tax after sending the taxpayer a 30-calendar-day notice of intent to levy.<sup>2</sup> This section also prohibits seizure 1) during a pending suit for the refund of any payment of a divisible tax, 2) before a thorough investigation of the status of any property subject to seizure, or 3) while either an offer in compromise<sup>3</sup> or an installment agreement is being evaluated and, if necessary, for 30 additional calendar days during which the taxpayer may appeal the rejection of the offer in compromise or installment agreement.

**I.R.C. § 6332** requires that a third party in possession of property subject to seizure surrender such property when a levy notice is received. It contains sanctions against third parties who do not surrender such property when a levy notice is received.

**I.R.C. § 6333** requires that a third party with control of books or records containing evidence or statements relating to property subject to seizure exhibit such books or records to the IRS when a levy notice is received.

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<sup>1</sup> Taking a taxpayer's property for unpaid tax is commonly referred to as a seizure.

<sup>2</sup> A levy is a means to take property by legal authority to satisfy a tax debt. The IRS uses a levy as a tool to collect on balance-due accounts that are not being voluntarily paid.

<sup>3</sup> An offer in compromise is a proposal by a taxpayer to settle an unpaid account(s) for less than the full amount of the balance due.





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*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

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**I.R.C. § 6334** enumerates property exempt from seizure. The exemption amounts are adjusted each year and included \$8,370 for the period July 1 through December 31, 2011, and \$8,570 for the period January 1 through June 30, 2012, for fuel, provisions, furniture, and personal effects; and \$4,180 for the period July 1 through December 31, 2011, and \$4,290 for the period January 1 through June 30, 2012, for books and tools necessary for business purposes. Also, any primary residence, not just the taxpayer's, is exempt from seizure when the amount owed is \$5,000 or less. Seizure of the taxpayer's principal residence is allowed only with the approval of a U.S. District Court judge or magistrate. Property used in an individual taxpayer's business is exempt except with written approval of the Area Office<sup>4</sup> Director, and the seizure may be approved only if other assets are not sufficient to pay the liability.

**I.R.C. § 6335** contains procedures for the sale of seized property. Notice must be given to the taxpayer; the property must be advertised in the county newspaper or posted at the nearest U.S. Postal Service office; and such notices shall specify the time, place, manner, and conditions of sale. This section requires that the property be sold no fewer than 10 calendar days or no more than 40 calendar days from the time of giving public notice. Finally, this section expressly prohibits selling seized property for less than the minimum bid.

**I.R.C. § 6336** contains procedures for the accelerated disposition of perishable property. This is property such as fresh food products or any property that requires prohibitive expenses to maintain during the normal sale time period. The property may either be sold quickly or returned to the taxpayer in exchange for payment of a bond.

**I.R.C. § 6337** allows the taxpayer to redeem seized property prior to sale by paying the amount due plus the expenses of the seizure. It also allows a taxpayer to redeem real property within 180 calendar days of the sale by paying the successful bidder the purchase price plus 20 percent per annum interest.

**I.R.C. § 6338** requires that the IRS give purchasers of seized property a certificate of sale upon full payment of the purchase price. This includes issuing a deed to real property after expiration of the 180-calendar-day period required by I.R.C. § 6337. The deed is exchanged for the certificate of sale issued at the time of the sale.

**I.R.C. § 6339** provides the legal effect of the certificate of sale for personal property and the transfer deed for real property.

**I.R.C. § 6340** requires that each Area Office keep a record of all sales of seized property. This record must include the amount of tax for which such sale was made, the dates of seizure and sale, the name of the party assessed, all proceedings in making such sale, the amount of expenses, the names of the purchasers, and the date of the deed or certificate of sale of personal property. The taxpayer will be furnished 1) the information above except the purchasers' names,

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<sup>4</sup> An Area Office is a geographic organizational level used by IRS business units and offices to help their specific types of taxpayers understand and comply with tax laws and issues.



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*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

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2) the amount of such sale applied to the taxpayer's liability, and 3) the remaining balance of such liability.

**I.R.C. § 6341** allows expenses for all seizure and sale cases.

**I.R.C. § 6342** enumerates how the proceeds of a seizure and sale are to be applied to a taxpayer's account. Proceeds are applied first to the expenses of the seizure and sale proceedings. Any remainder is then applied to the taxpayer's liability.

**I.R.C. § 6343** outlines various conditions under which a seizure may be released and property returned to the taxpayer. These conditions include full payment of the liability, determination of a wrongful seizure, financial hardship, *etc.* This section allows a consent agreement between the United States and either the taxpayer or the National Taxpayer Advocate<sup>5</sup> when the return of seized property would be in the taxpayer's best interest.

**I.R.C. § 6344** contains cross-references for I.R.C. §§ 6330 through 6344.

**Public Law Number 105-206 (IRS Restructuring and Reform Act of 1998)**<sup>6</sup> **§ 3443** required the IRS to implement a uniform asset disposal mechanism by July 22, 2000, for sales of seized property under I.R.C. § 6335. This mechanism was designed to remove revenue officers<sup>7</sup> from participating in the sales of seized assets.

**Public Law Number 105-206 (IRS Restructuring and Reform Act of 1998)** **§ 3421** required the IRS to employ a supervisory review of seizures before action is taken.

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<sup>5</sup> The Taxpayer Advocate Service is an independent organization within the IRS whose employees assist taxpayers seeking help in resolving tax problems that have not been resolved through normal channels or who are experiencing significant hardships.

<sup>6</sup> Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

<sup>7</sup> The employees who make personal contacts with taxpayers about the collection of unpaid tax are referred to as revenue officers.



*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

**Appendix VI**

*Prior Treasury Inspector General for Tax  
Administration Reports on Compliance  
With Seizure Procedures*

<b>Reference No. (Date)</b>	<b>Report Title</b>
199910072 (Sept. 1999)	<i>The Internal Revenue Service Needs to Improve Compliance With Legal and Internal Guidelines When Taking Taxpayers' Property for Unpaid Taxes</i>
2000-10-114 (Aug. 2000)	<i>The Internal Revenue Service Has Significantly Improved Compliance With Legal and Internal Guidelines When Seizing Taxpayers' Property</i>
2001-10-061 (May 2001)	<i>Letter Report: The Internal Revenue Service Complied With Legal and Internal Guidelines When Seizing Property for Payment of Tax</i>
2002-10-005 (Nov. 2001)	<i>The Internal Revenue Service Has Taken Significant Actions, But Increased Oversight Is Needed to Fully Implement the Uniform Asset Disposal Mechanism</i>
2002-40-155 (Aug. 2002)	<i>The Internal Revenue Service Continues to Comply With the Law When Seizing Taxpayers' Property</i>
2003-40-115 (May 2003)	<i>Fiscal Year 2003 Statutory Audit of Compliance With Seizure Procedures</i>
2004-30-149 (Aug. 2004)	<i>Legal and Internal Guidelines Were Not Always Followed When Conducting Seizures of Taxpayers' Property</i>
2005-30-091 (Jun. 2005)	<i>Fiscal Year 2005 Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property</i>
2006-30-113 (Aug. 2006)	<i>Fiscal Year 2006 Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property</i>
2007-30-109 (Jul. 2007)	<i>Fiscal Year 2007 Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property</i>
2008-30-126 (Jun. 2008)	<i>Fiscal Year 2008 Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property</i>
2009-30-077 (May 2009)	<i>Fiscal Year 2009 Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property</i>
2010-30-049 (May 2010)	<i>Fiscal Year 2010 Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property</i>



*Fiscal Year 2013 Review of Compliance With Legal Guidelines  
When Conducting Seizures of Taxpayers' Property*

<b>Reference No. (Date)</b>	<b>Report Title</b>
2011-30-049 (May 2011)	<i>Fiscal Year 2011 Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property</i>
2012-30-072 (Jun. 2012)	<i>Fiscal Year 2012 Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property</i>