



## Treasury Inspector General for Tax Administration Office of Audit

### FISCAL YEAR 2013 STATUTORY AUDIT OF COMPLIANCE WITH NOTIFYING TAXPAYERS OF THEIR RIGHTS WHEN REQUESTED TO EXTEND THE ASSESSMENT STATUTE

Issued on July 26, 2013

## Highlights

Highlights of Report Number: 2013-30-071 to the Internal Revenue Service Office of the 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 this 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), which 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 51 closed taxpayer audit files with statute extensions found that the IRS is compliant with Internal Revenue Code Section 6501(c)(4)(B). However, TIGTA found instances in which 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 these instances, the taxpayers' representatives signed Form 872, *Consent to Extend the Time to Assess Tax*, and were 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 the IRS to notify 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. TIGTA's review of 36 taxpayer audit files that had authorizations for third-party representation found instances in which 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 previous TIGTA audit reports are still valid for the issues reported. 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.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2013reports/201330071fr.pdf>.