



Treasury Inspector General for Tax Administration Office of Audit

FISCAL YEAR 2015 STATUTORY REVIEW OF COMPLIANCE WITH NOTICE OF FEDERAL TAX LIEN DUE PROCESS PROCEDURES

Issued on June 26, 2015

Highlights

Highlights of Report Number: 2015-30-055 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

After filing a Form 668(Y)(c), Notice of Federal Tax Lien (NFTL), the IRS must notify the affected taxpayer in writing, at his or her last known address, within five business days of the NFTL filing. Taxpayers' rights to timely appeal NFTL filings may be jeopardized if the IRS does not comply with this statutory requirement.

WHY TIGTA DID THE AUDIT

This audit was initiated because 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).

WHAT TIGTA FOUND

TIGTA reviewed a statistically valid sample of 133 NFTLs filed for the 12-month period beginning July 1, 2013, and ending June 30, 2014, and determined that the IRS timely and correctly mailed the taxpayers the notices of NFTL 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. However, for six of the 36 sample cases for which the taxpayer had an authorized representative, the IRS did not notify the taxpayers' representatives of the NFTL filings. TIGTA estimated that 24,237 taxpayers may have been adversely affected because the IRS did not follow requirements to notify the taxpayers' representatives of the taxpayers' rights related to the NFTLs.

In addition, while procedures were usually followed when working undelivered lien notices, more actions could be taken. IRS procedures require address verification and, if applicable, resolution of undelivered lien notices within 14 calendar days of receipt. TIGTA selected a judgmental sample of 189 undelivered lien notices returned to the Cincinnati (99 lien notices) and Fresno

(90 lien notices) Campuses in October and November 2014. For 15 (three in Fresno and 12 in Cincinnati) of these 189 undelivered lien notices, employees did not perform the required research within 14 calendar days of receipt of the returned lien notice.

The envelopes for a majority of the 12 lien notices that the Cincinnati Campus did not research timely were marked by the U.S. Postal Service as both undelivered and unclaimed. IRS procedures do not address how to handle returned lien notices marked in this manner. TIGTA was advised by management that campus employees follow undocumented procedures to treat envelopes marked this way as unclaimed. As a result, these accounts were not researched to determine whether the IRS sent the NFTL to the taxpayer's last known address.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS: 1) establish procedures requiring the lien unit to verify all lien requests for which the checkbox on Form 12636, Request for Filing or Refiling Notice of Federal Tax Lien, Line 4, is blank and 2) establish procedures to timely research taxpayer accounts if the envelopes of returned lien notices are marked with multiple reasons for return and ensure that notice was mailed to the taxpayer's last known address.

IRS management agreed with the recommendations and has taken or plans to take corrective actions.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2015reports/201530055fr.pdf>.

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