



Treasury Inspector General for Tax Administration Office of Audit

FISCAL YEAR 2015 STATUTORY REVIEW OF COMPLIANCE WITH LEGAL GUIDELINES WHEN ISSUING LEVIES

Final Report issued on June 18, 2015

Highlights

Highlights of Report Number: 2015-30-058 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

When taxpayers do not pay delinquent taxes, the IRS has the authority to work directly with financial institutions and other third parties to seize taxpayers' assets. This action is commonly referred to as a "levy." The law requires the IRS to notify taxpayers at least 30 calendar days prior to the issuance of a levy and allows taxpayers the opportunity to request a Collection Due Process hearing prior to the first levy on a delinquent account.

WHY TIGTA DID THE AUDIT

This audit was initiated because TIGTA is responsible for annually determining whether the IRS complied with the IRS Restructuring and Reform Act of 1998 requirement to notify taxpayers prior to issuing levies. The overall objective of this review was to determine whether the IRS has complied with the legal requirement to timely notify taxpayers prior to issuing levies per Internal Revenue Code Section 6330, *Notice and Opportunity for Hearing Before Levy*.

WHAT TIGTA FOUND

The IRS is generally protecting taxpayers' rights when issuing systemic and manual levies in cases for which additional assessments were not included in the levy. TIGTA reviewed statistical samples of systemic and manual levies issued by the Automated Collection System and the Integrated Collection System and determined that controls ensured that most taxpayers were given notice of their Collection Due Process rights at least 30 calendar days prior to the issuance of the levies.

An additional review of statistical samples of taxpayers' cases that were worked in the Automated Collection System and that had additional tax assessed included in the systemic (30 taxpayers) and manual (30 taxpayers) levies determined that there were 12 (40 percent)

taxpayers with systemic and six (20 percent) taxpayers with manual levies who did not receive a new notice of intent to levy after an additional assessment was made on a tax period listed on the levy. IRS management advised us that they had made computer programming changes to correct this problem for Fiscal Year 2014 levies. However, TIGTA's review helped identify other systemic problems management was not aware of. Management is currently working with IRS programmers to isolate the problems and resolve them.

In addition, a review of a statistical sample of the delinquent accounts of 30 taxpayers whose cases were worked in Field Collection and who had additional assessments included in the systemic levies determined that there were 24 (80 percent) taxpayers who did not receive a new notice of intent to levy after an additional assessment was made on a tax period listed on the levy. Management implemented a computer programming change to correct this problem after TIGTA selected the sample. TIGTA will test the effectiveness of this corrective action in next year's review.

WHAT TIGTA RECOMMENDED

Because IRS management has identified the problems and is taking corrective actions, TIGTA did not make any recommendations. IRS officials were provided with an opportunity to review the draft report but did not provide any report comments.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2015reports/201530058fr.pdf>