



Treasury Inspector General for Tax Administration Office of Audit

MORE INFORMATION ABOUT PAYMENT OPTIONS IN REDESIGNED NOTICES CONTRIBUTES TO MORE CASES CLOSING, BUT MORE ANALYSIS AND COLLABORATION WITH STAKEHOLDERS ARE NEEDED

Issued on August 25, 2015

Highlights

Highlights of Report Number: 2015-30-069 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed and Wage and Investment Divisions.

IMPACT ON TAXPAYERS

Collection notices provide the IRS the opportunity to maximize collections while minimizing costs in pursuing a taxpayer's tax debts. In Fiscal Year 2013, the IRS sent approximately 24 million balance due notices to delinquent taxpayers. The IRS redesigned balance due notices with goals such as improving IRS efficiency, improving taxpayer satisfaction, and reducing taxpayer burden.

WHY TIGTA DID THE AUDIT

In July 2008, the IRS Commissioner started a taskforce to improve the clarity, accuracy, and effectiveness of the IRS's written communications to taxpayers that included the redesign of collection notices. The IRS paid a contractor approximately \$3 million and also used IRS staff in the overall redesign effort. This audit was performed to evaluate the impact of the redesigned collection notices.

WHAT TIGTA FOUND

TIGTA's analysis of balance due notices issued to individual taxpayers showed that the percentage of cases closed during the notice stream increased after the redesign. A significant change in the notice redesign was to provide information about payment options if taxpayers cannot afford to pay. The notice redesign added information about installment agreements when full payment is not possible. As a result, fewer cases had to be moved to more costly collection efforts. In addition, results showed that the percentage of cases closed with an installment agreement was higher after the redesign.

However, results also showed that dollars collected as a percentage of total liabilities decreased after redesign,

as did the percentage of fully paid closures. This would naturally follow if some of the taxpayers that would have fully paid their liabilities instead opted to pay through an installment agreement.

While the IRS has included information about payment alternatives in some redesigned notices, it has not done so for all redesigned collection notices. Moreover, the IRS also learned as part of this effort that the majority of taxpayers who receive its collection notices in the notice stream are low-income taxpayers, although no additional information was included to address their needs. Because additional information in collection notices led to more case closures, the IRS needs to collaborate with stakeholders on providing additional information in the notices.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS consider including more information in collection notices about payment alternatives and the consequences of not responding and that it collaborate with stakeholders about additional information which could be provided that would result in more case closures and in taxpayers receiving information that they need.

In their response to the report, IRS officials agreed with the recommendations and plan to take appropriate 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/201530069fr.pdf>.