



Treasury Inspector General for Tax Administration

THE OFFICE OF APPEALS HAS IMPROVED ITS PROCESSING OF COLLECTION DUE PROCESS CASES

Issued on September 21, 2007

Highlights

Highlights of Report Number: 2007-10-139 to the Internal Revenue Service Chief, Appeals.

IMPACT ON TAXPAYERS

Overall, the Office of Appeals (Appeals) has made improvements to the Collection Due Process (CDP) by properly classifying most taxpayer requests to give taxpayers the Appeals review they are entitled to and by revising letters to taxpayers to make them more descriptive. However, Appeals hearing officers were still not consistently including an impartiality statement in the case files, which presents a risk of prior involvement in the taxpayer's case and lack of independence. Also, Appeals hearing officers were not always documenting whether the Collection function met all legal and administrative requirements, potentially impacting the actions taken by Appeals. In addition, the Collection Statute Expiration Dates for some taxpayers were incorrectly lengthened (the IRS generally has 10 years from the date of assessment to collect a liability owed by a taxpayer -- the end of the 10-year period is the Collection Statute Expiration Date), which is a potential violation of taxpayer rights.

WHY TIGTA DID THE AUDIT

This audit was initiated because the TIGTA is statutorily required to determine annually whether the Internal Revenue Service (IRS) complied with the legal guidelines and procedures provided under the CDP.

WHAT TIGTA FOUND

Appeals has improved its handling of CDP cases when taxpayers exercised their rights to appeal the filing of a Notice of Federal Tax Lien or the issuance of a notice of intent to levy. Nearly all requests for a CDP hearing or an Equivalent Hearing (EH) were properly classified, which allowed taxpayers to receive the right type of hearing. The CDP hearing and EH closing letters to taxpayers included descriptive information relating to the issues raised by the taxpayer as well as the Appeals determination of whether the proposed collection action balances the need for efficient collection of taxes with the

legitimate concern of the taxpayer that any collection action be no more intrusive than necessary.

Although improvements have been made, in a small portion of CDP and EH cases, Appeals hearing officers did not include the impartiality statement or document whether the Collection function met all legal and administrative requirements when filing a lien or issuing a notice of intent to levy. Also, there were a significant number of CDP and EH cases in our samples containing errors with the Collection Statute Expiration Dates. Some of the CDP cases had the collection statute extended too long, improperly allowing the IRS too much time to collect from taxpayers; conversely, other collection statutes were not extended long enough or at all, reducing the time the IRS has to collect the delinquent taxes.

WHAT TIGTA RECOMMENDED

TIGTA recommended the Chief, Appeals take the following actions:

- Revise current procedures to require that, during the initial analysis of the case, hearing officers verify and document in the case activity record whether the Collection function met all legal and administrative requirements when filing a lien or issuing a notice of intent to levy.
- Review and correct the taxpayer accounts identified in our samples as having erroneous Collection Statute Expiration Dates.

In their response to the report, IRS officials stated they agreed with both recommendations. They plan to revise their written guidance to require that hearing officers verify and document that legal and administrative requirements were met during the initial analysis of the case. Also, Appeals stated they have reviewed and corrected the incorrect Collection Statute Expiration Dates for the taxpayer accounts identified during our audit.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2007reports/200710139fr.pdf>

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