DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Joseph Kehoe
Commissioner, Small Business/Self-Employed Division

SUBJECT: Draft Letter Report – The Taxpayer Repeater Indicator Should Be Reprogrammed or Eliminated

Thank you for the opportunity to respond to your draft letter titled "The Taxpayer Repeater Indicator Should Be Reprogrammed or Eliminated." The letter reviews our use of the Taxpayer Repeater Indicator to identify taxpayer accounts when taxpayers have not filed a return or paid taxes for more than one tax period. We originally put the indicator on IRS computer systems to focus attention on serious examples of taxpayers failing to meet their filing and paying requirements. The objective was to bring those taxpayers into compliance and keep them compliant. We agree with your recommendation to more clearly establish a business purpose for the use of the indicator.

Our comments on the recommendation in this report are as follows:

IDENTITY OF RECOMMENDATION 1
A current business purpose that accurately reflects the status of taxpayer accounts on computer systems should be established. If this cannot be established, the indicator should be eliminated to help minimize inaccurate marking of taxpayer accounts.

ASSESSMENT OF CAUSE
The Taxpayer Repeater Indicator should identify taxpayers with repeat compliance problems; however, the computer programming used to apply the indicator does not work properly to identify these taxpayers. Currently, the IRS uses the indicator "for information only" and not to prioritize casework. We currently have no directions outlining specific actions that employees working taxpayer cases with the repeater indicator should take.

CORRECTIVE ACTION
We will develop new definitions for the existing repeater indicator, which computer systems can identify. The redefined indicator will provide an additional information item for revenue officers to consider when prioritizing their workload.

IMPLEMENTATION DATE
Proposed: April 1, 2000

RESPONSIBLE OFFICIAL
Director, Compliance Policy

CORRECTIVE ACTION MONITORING PLAN
The functional staff will keep the Director, Compliance Policy informed of the status and any delays.

If you have any questions, please call Frank Nixon, Acting Director, Compliance Policy at (202) 622-5563.