

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Fiscal Year 2025 Review of Assessment Statute Extension Dates

March 28, 2025

Report Number: 2025-1SO-018

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

TIGTACommunications@tigta.treas.gov | www.tigta.gov

Why TIGTA Did This Review

This review was initiated because TIGTA is statutorily required to annually determine whether the IRS complied with Internal Revenue Code § 6501(c)(4)(B), which requires the IRS to provide notice to taxpayers of their right to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or to specific issues.

Impact on Tax Administration

The IRS is required by law to notify taxpayers of their rights when requesting an extension of the statute of limitations for assessing additional taxes and penalties. Taxpayers may be adversely affected if the IRS does not follow the requirements to notify the taxpayers of their rights related to assessment statute extensions.

What TIGTA Found

Our review found that the IRS was compliant with the legal requirements related to requests to extend the assessment statute. Specifically, the IRS complied with the legal requirement to notify taxpayers and their authorized representatives of their rights when requesting an extension of the statute of limitation for assessing additional taxes and penalties.

We selected a statistically valid stratified random sample of 74 out of 6,815 taxpayer audit files closed from April 1, 2023 through March 31, 2024, for cases in which the IRS extended the assessment statute expiration date. We reviewed 43 of the 74 case files. The remaining cases were paper files that IRS management was not able to locate. We did not identify any instances in which the IRS failed to provide notice to the taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or specific issues. In all 43 taxpayer audit files reviewed, the legal requirements were satisfied when the taxpayers or the taxpayers' representatives signed Form 872, *Consent to Extend the Time to Assess Tax*, or Form SS-10, *Consent to Extend the Time to Assess Employment Taxes*, because the taxpayers' rights are clearly specified on the front of the forms.

Similar to our prior five reviews, the IRS was unable to provide many of the taxpayer paper audit files requested. Specifically, we only received 6 percent of the paper audit files requested because IRS management was not able to locate all of the paper audit files. The IRS continues to experience difficulty retrieving records that support adjustments to a taxpayer's account after an IRS examination. This has resulted in a backlog in providing these types of documents. We recently evaluated the IRS's attempt to eliminate this backlog in a separate review and identified challenges that the IRS is facing.

The IRS agreed with the draft report and declined to provide a response.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20024

March 28, 2025

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Danny Verneuille
Acting Deputy Inspector General for Audit

SUBJECT: Final Report – Fiscal Year 2025 Review of Assessment Statute
Extension Dates (Review No.: 20251S0002)

This report presents the results of our review of whether the Internal Revenue Service is properly notifying taxpayers and their authorized representatives of the right to refuse to extend the period of limitations, or to limit such extensions to specific issues or to a specific period of time, on each occasion when the taxpayer is requested to provide written consent to extend the period of limitations for the assessment of tax. We performed this review during the period October 2024 to February 2025. We are issuing this report to document actions taken by the Internal Revenue Service concerning its compliance with requirements for requesting an extension of a taxpayer's statute of limitations for assessment date. This review is part of our Fiscal Year 2025 Annual Audit Plan and addresses the major management and performance challenge of *Taxpayer Rights*.

The IRS agreed with the draft report and declined to provide a response. If you have any questions, please contact me or Bryce Kisler, Assistant Inspector General for Audit (Taxpayer Services and Operational Support).

Background

The Internal Revenue Service (IRS) is required by the IRS Restructuring and Reform Act of 1998 and the Internal Revenue Code (I.R.C.) to notify taxpayers of their rights when requesting an extension of the statute of limitations for the assessment of tax.¹ When the IRS audits a tax return and determines that there is an additional tax liability, the additional assessment must be made within three years of the original return due date or the date the return was actually filed, whichever is later. This three-year assessment statute of limitations normally cannot be extended without the taxpayer's written consent.²

To extend the statute, the IRS generally requests the taxpayer(s) to provide a signed consent, Form 872, *Consent to Extend the Time to Assess Tax*, or Form SS-10, *Consent to Extend the Time to Assess Employment Taxes*.³ These consents extend the assessment statute of limitations for either a specific period of time or an unlimited, indefinite period. The statute is usually extended for a period that both the IRS and the taxpayer agree is reasonable to complete the audit. The consent can also be negotiated to apply only to specific tax issues or specific tax periods.

When passing the IRS Restructuring and Reform Act of 1998, Congress expressed concern that taxpayers have not always been fully aware of their right to refuse to extend the statute of limitations or to request that a statute extension be limited to a specific period of time or to a specific issue (taxpayers may feel they have no choice but to agree to extend the statute upon the request of the IRS).⁴ In addition, Congress addressed the dual notification of taxpayers by stating that the IRS must notify all taxpayers that filed joint returns of their right to elect to limit their joint and/or several liabilities under this provision.

A taxpayer might agree to extend the assessment statute of limitations for the following reasons:



The taxpayer may want to pursue additional tax issues that are in the taxpayer's favor to offset a proposed tax assessment or allow for a tax refund.



The taxpayer may want to extend the amount of time they have to go to the IRS Independent Office of Appeals (hereafter referred to as Appeals). If the remaining time before the statute expires is too short, the IRS may have to prematurely stop the audit process and issue a statutory notice of deficiency. Once a statutory notice of deficiency has been issued, taxpayers can 1) request a referral to Appeals before filing a petition with the U.S. Tax Court, or 2) file a petition with the U.S. Tax Court, after which an answer will be filed by the Office of Chief Counsel and the taxpayer's case will then generally be referred to Appeals.

¹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2, 5, 16, 19, 22, 23, 26, 31, 38, and 49 U.S.C.) and I.R.C. § 6501(c)(4)(B).

² There are some exceptions to the three-year statute of limitations. For example, I.R.C. § 6501(c)(1) extends the assessment statute indefinitely when false or fraudulent returns are filed.

³ IRS employees who most often request assessment statute extensions are tax examiners and revenue agents in the various operating divisions and appeals officers in the IRS Independent Office of Appeals.

⁴ S. Rep. No. 105-174 (1998).

A taxpayer may decide to limit or refuse to extend the assessment statute of limitations because:





The taxpayer may not want to provide the IRS additional time to consider additional tax issues.





The taxpayer may not want to provide the IRS additional time to further develop tax issues already under consideration.

In response to our Fiscal Year 2004 report, the IRS revised the various consent forms and incorporated them into the Internal Revenue Manual.⁵ The revised consent forms include a prominent statement informing taxpayers of their rights regarding assessment statute extensions, as provided for in I.R.C. § 6501(c)(4)(B) and provide information on Publication 1035, *Extending the Tax Assessment Period*. Figure 1 shows the taxpayer rights statement and signature section.

Figure 1: Excerpt of the Taxpayer Rights Statement and Signature Block From Form 872

YOUR SIGNATURE HERE →  
(Type or Print Name) (Date signed)

I am aware that I have the right to refuse to sign this consent or to limit the extension to mutually agreed-upon issues and/or period of time as set forth in I.R.C. § 6501(c)(4)(B).

TAXPAYER'S REPRESENTATIVE SIGN HERE →  
(Only needed if signing on behalf of the taxpayer.) (Type or Print Name) (Date signed)

I am aware that I have the right to refuse to sign this consent or to limit the extension to mutually agreed-upon issues and/or period of time as set forth in I.R.C. § 6501(c)(4)(B). In addition, the taxpayer(s) has been made aware of these rights.

If this document is signed by a taxpayer's representative, the Form 2848, Power of Attorney and Declaration of Representative, or other power of attorney document must state that the acts authorized by the power of attorney include representation for the purposes of Subchapter C of Chapter 63 of the Internal Revenue Code in order to cover items in paragraph (4).

Source: Form 872. Note: The wording on Form SS-10 is consistent with that shown on Form 872.

The consent form also includes a place for an IRS official's signature. Prior to signing the consent form, the manager should review the audit file and consent form in compliance with Internal Revenue Manual 25.6.22.5.13(1), *Manager's Responsibilities When Signing Consents* (Nov. 17, 2021). Figure 2 shows the IRS Official's signature section.

⁵ TIGTA, Report No. 2004-40-108, *Fiscal Year 2004 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (June 2004).

Figure 2: Excerpt of IRS Official's Signature Block From Form 872

INTERNAL REVENUE SERVICE SIGNATURE AND TITLE

(IRS Official's Name - see instructions)	(IRS Official's Title - see instructions)
(IRS Official's Signature - see instructions)	(Date signed)

Source: Form 872. Note: The wording on Form SS-10 is consistent with that shown on Form 872.

The revised consent forms include a statement for the taxpayers' representatives to sign, confirming that they were notified of the rights regarding assessment statute extensions and that the taxpayers were made aware of the same advice of rights. In April 2012, the consent form was again revised to include the extension for partnerships, eliminating the need for a different consent form for partnerships.

TIGTA has completed 25 statutory reviews (Fiscal Years 2000 through 2024) of the IRS's compliance with requirements for requesting extensions of a taxpayer's statute of limitations for assessments.

Objective

The overall objective of this review was to determine whether the IRS is properly notifying taxpayers and their authorized representatives of the right to refuse to extend the period of limitations, or to limit such extensions to particular issues or to a particular period of time, on each occasion when the taxpayer is requested to provide written consent to extend the period of limitations for the assessment of tax.

Results of Review

The IRS complied with the legal requirements and is properly notifying taxpayers and their authorized representatives of their rights when requesting an extension of the statute of limitation for assessing additional taxes and penalties.

The Internal Revenue Service Was Compliant With Legal Requirements Related to Requests to Extend the Assessment Statute

We selected a statistically valid stratified random sample of 74 out of 6,815 taxpayer audit files closed from April 1, 2023 through March 31, 2024, for cases in which the IRS extended the assessment statute expiration date.⁶ We reviewed 43 [REDACTED] of the 74 case files and found that the IRS complied with the legal requirements.⁷ The remaining 31 cases were

⁶ The population of 6,815 cases included 3,066 paper and 3,749 electronic case files.

⁷ We selected a statistically valid stratified random sample with a 95 percent confidence interval, a 5 percent error rate, and a ± 5 percent precision factor.

paper files that IRS management was not able to locate. We did not identify any instances in which the IRS failed to provide notice to the taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or to specific issues. In all 43 taxpayer audit files reviewed, the legal requirements were satisfied when the taxpayers or the taxpayers' representatives signed Forms 872 or SS-10, because the taxpayers' rights are clearly specified on the front of the forms.

The IRS continues to have difficulties providing requested files

Like our prior five reviews, the IRS was unable to provide many of the taxpayer paper audit files that we requested. In October 2024, we requested ■■■ paper closed audit files. By December 2024, we received only ■■■ (6 percent) of the audit files requested. IRS management was not able to locate the remaining 31 paper audit files. The IRS continues to experience difficulty retrieving records that support adjustments to a taxpayer's account after an IRS examination. This has resulted in a backlog in providing these types of documents. We recently evaluated the IRS's attempt to eliminate this backlog and identified challenges the IRS is facing.⁸



Conclusion

Based on our review of a statistically valid sample of case files, we determined that the IRS is in compliance with legal requirements to notify taxpayers and their authorized representatives of their rights when requesting an extension of the statute of limitations for assessing additional taxes and penalties.

Performance of This Review

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Federal Offices of Inspector General*. Those standards require that the work adheres to the professional standards of independence, due professional care, and quality assurance and follows procedures to ensure accuracy of the information presented. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on the objective of our review.

⁸ TIGTA, Report No. 2024-IE-R013, [A Comprehensive Strategy Is Needed to Address the Significant Backlog of Adjustment Source Documentation Inventory](#), p. 2 (June 2024).

Appendix I

Abbreviations

I.R.C.	Internal Revenue Code
IRS	Internal Revenue Service
TIGTA	Treasury Inspector General for Tax Administration



**To report fraud, waste, or abuse,
contact our hotline on the web
at <https://www.tigta.gov/reportcrime-misconduct>.**

**To make suggestions to improve IRS policies, processes, or systems
affecting taxpayers, contact us at www.tigta.gov/form/suggestions.**

Information you provide is confidential, and you may remain anonymous.