TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

People First Initiative Actions Helped Taxpayers During the Pandemic; However, Many Taxpayers Received Inaccurate Collection Notices

September 16, 2021

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HIGHLIGHTS: People First Initiative Actions Helped Taxpayers During the Pandemic; However, Many Taxpayers Received Inaccurate Collection Notices

Final Audit Report issued on September 16, 2021 **Report Number 2021-36-060**

Why TIGTA Did This Audit

In response to the nationwide state of emergency due to the Coronavirus Disease 2019 (COVID-19) pandemic, the IRS announced its People First Initiative that included steps to assist taxpayers by providing relief on a variety of issues ranging from easing payment guidelines to postponing compliance actions during the period April 1, 2020, through July 15, 2020.

This audit was initiated to evaluate actions taken by the Small Business/Self-Employed Division to assist taxpayers in response to COVID-19.

Impact on Taxpayers

The IRS issued the People First Initiative to reduce the tax compliance burden on taxpayers by temporarily adjusting and suspending key compliance programs in order to help people facing the challenges of COVID-19.

What TIGTA Found

During the start of COVID-19, the IRS was impacted in many ways. IRS sites closed for months, thus postponing everyday operations such as mailing notices and receiving and processing correspondence from taxpayers. During this time, the IRS had to act and make decisions as to how to proceed, and some of the decisions potentially caused confusion and undue burden to numerous taxpayers who received erroneous Collection notices. Upon reopening its print sites, the IRS decided to issue millions of notices to taxpayers that had generated during the shutdown, many with erroneous notice dates and payment due dates.

TIGTA's review of these notices identified that the IRS issued 89,338 premature Notices and Demand for tax that were generated for 87,542 individual taxpayers who filed Tax Year 2019 tax returns before the COVID-19 filing date extension of July 15, 2020. The notices showed that balances were owed even though the taxes were not actually due because of the filing extension. Although the majority of these Notices and Demand included stuffers to explain the correct notice and payment due dates, taxpayers could be confused as to how to proceed, whether they received a stuffer of explanation with their notice or not, simply due to the original notices including incorrect information. The IRS had the opportunity to prevent undue burden to taxpayers by purging the outdated and incorrect notices and sending them at a later date.

However, the IRS was effective in providing relief to taxpayers as outlined in its People First Initiative, including properly suspending defaults on Installment Agreements, passport certifications to the State Department, new account transfers to private collection agencies, systemic filings of Notices of Federal Tax Lien, systemic and automated levies, and seizures. TIGTA did identify that, for 23 levies (14 taxpayers) issued by revenue officers, there was no indication of the required levy approvals during the People First Initiative time frame. The IRS took corrective action by contacting these taxpayers and issuing refunds or credit transfers on the levied funds. Additionally, TIGTA identified that 40 of 49 Notice of Federal Tax Lien filings by revenue officers were made in error, but the IRS took corrective action to withdraw them.

What TIGTA Recommended

TIGTA recommended that the IRS implement changes to its processes to avoid sending erroneous notices causing taxpayer burden. IRS management partially agreed with the recommendation. While they acknowledge that this is not an action management would take under ideal conditions, they believe their solution (to send the incorrect notices) was appropriate given the extraordinary situation. However, management further stated that, should future circumstances cause the IRS to be faced with a similar decision, they will take this report's recommendation into consideration.

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

September 16, 2021

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – People First Initiative Actions Helped Taxpayers During the Pandemic; However, Many Taxpayers Received Inaccurate Collection Notices (Audit # 202030628)

This report presents the results of our review to evaluate actions taken by the Small Business/ Self-Employed Division to assist taxpayers in response to the Coronavirus Disease 2019 (COVID-19) pandemic. This review is part of our Fiscal Year 2021 Annual Audit Plan and addresses the major management and performance challenge of *Responding to the COVID-19 Pandemic*.

Management's complete response to the draft report is included as Appendix III.

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendation. If you have any questions, please contact me or Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations).

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Background

On March 13, 2020, the President announced a nationwide state of emergency due to the Coronavirus Disease 2019 (COVID-19) pandemic. To help people facing the challenges of COVID-19 issues, the Internal Revenue Service (IRS) announced steps to assist taxpayers by providing relief on a variety of issues ranging from easing payment guidelines to postponing compliance actions. The IRS Commissioner's announcement of this relief stated, "in addition to extending tax deadlines and working on new legislation, the IRS is pursuing unprecedented actions to ease the burden on people facing tax issues." On March 25, 2020, the IRS announced the People First Initiative with the issuance of IRS News Release IR-2020-59.[1] The goal of the People First Initiative was to temporarily adjust and suspend key compliance programs in order to help people facing the challenges of COVID-19. The series of steps taken to assist taxpayers was effective for the period starting April 1, 2020, through July 15, 2020, and addressed taxpayer relief from compliance actions pertaining to the following:

- Installment Agreements.
- Offers in Compromise.
- Liens.
- Levies.
- Seizures.
- Passport Certifications to the State Department.
- Private Debt Collection.
- Field, Office, and Correspondence Audits.

On March 31, 2020, in response to COVID-19 and for the protection of its employees, the IRS took unprecedented actions, including closing Tax Processing Centers, Taxpayer Assistance Centers, and other IRS offices nationwide. Additionally, on March 30, 2020, the IRS directed all employees who were not currently teleworking but whose work was portable or could be adapted to work off-site to work from home (or an alternate location). As a result, the IRS had to make decisions about how it would timely send required notices to taxpayers and process growing backlogs of incoming taxpayer correspondence. In June 2020, the House Ways and Means Committee expressed concerns to the IRS about the confusion and burden that taxpayers likely experienced after the IRS made the decision to send notices to taxpayers containing erroneous notice dates and due dates.[2] These notices were not produced in time to take into consideration the extended filing time frames the IRS provided for the 2020 Filing Season. The decision to send erroneous notices to taxpayers first occurred because of the closure of the Correspondence Production Services print site locations beginning March 31, 2020. These print sites create and print the numerous IRS correspondence notices that are

[1] IRS, News Release IR 2020-59, *IRS unveils new People First Initiative; COVID 19 effort temporarily adjusts, suspends key compliance program* (March 25, 2020).

[2] Letter dated June 11, 2020, to IRS Commissioner Charles Rettig from Chairman Richard Neal of the U.S. House of Representatives Committee on Ways and Means.

mailed to taxpayers. On June 1, 2020, these print sites began to reopen and partially restarted operations. Prior to these print sites reopening, the IRS had to make decisions about whether to mail taxpayer notices that had been created and were waiting in the print queue. The IRS also had to decide how it would prioritize the mailings.

While IRS locations were closed, the pause also caused a backlog of over 12 million pieces of incoming taxpayer correspondence to accumulate. In a letter dated August 19, 2020, the House Ways and Means Committee addressed concerns to the IRS regarding the backlog of unopened correspondence, including the possibility of undue burden for taxpayers who may have made payments during the shutdown but who would then receive erroneous balance due notices since the payments were not yet processed.[3] This committee requested that the IRS temporarily pause sending any balance due reminder notices to taxpayers who might be impacted by the correspondence backlog.[4] Knowing that this backlog could include a time frame for taxpayers to make payments to their accounts, the IRS had already decided to pause sending out balance due reminder notices to taxpayers until the backlog of mail was cleared. A programming change to temporarily pause balance due notices was implemented as of May 9, 2020. This decision was intended to ensure that taxpayers who made payments would not continue to receive balance due notices until those payments were posted to their accounts. In December 2020, the U.S. House Ways and Means Committee expressed concerns to the Treasury Inspector General for Tax Administration (TIGTA) regarding the issuance of erroneous notices when the IRS announced that it could not timely send out millions of Computer Paragraph (CP) notices due to capacity issues.[5] The notices were scheduled to be sent out in early November 2020 but were instead sent between late November 2020 and January 2021 with erroneous notice date and payment due date information.

Results of Review

During the start of the COVID-19 pandemic, the IRS was impacted in many ways. IRS sites closed for months, thus postponing everyday operations such as mailing correspondence and receiving and processing correspondence from taxpayers. As a result, the IRS began to prioritize correspondence and prepare additional notices to provide information to taxpayers. Additionally, to provide relief for taxpayers, the IRS announced the People First Initiative, which suspended or reduced many compliance activities from April 1 through July 15, 2020. During this time, the IRS had to act and make decisions as to how to proceed, and some of the decisions potentially caused confusion and undue burden to numerous taxpayers who received erroneous Collection notices. However, the IRS's People First Initiative actions also provided needed relief to numerous taxpayers who were in potentially difficult economic situations due to COVID-19.

[3] Letter dated August 19, 2020, to IRS Commissioner Charles Rettig from U.S. House of Representatives Committee on Ways and Means, signed by Chairman Richard Neal.

[4] Subsequent balance due notices are reminder notices sent to taxpayers with a balance due after the initial notice and demand.

[5] Letter dated December 22, 2020, to TIGTA Inspector General J. Russell George from U.S. House of Representatives Committee on Ways and Means, signed by Chairman Bill Pascrell Jr. and Ranking Member Mike Kelly; CP notices are generated from criteria on the original return.

Thousands of Taxpayers Were Sent Premature Notices and Demand

Our review of the Notice Delivery System for the period June 1 through July 15, 2020, identified 89,338 Notices and Demand (specifically CP 14, *Balance Due, No Math Error)* that were generated for 87,542 individual taxpayers who filed Tax Year 2019 tax returns before the COVID-19 filing date extension of July 15, 2020. These notices showed balances owed even though the taxes were not actually due because of the filing date extension. For these taxpayers, the IRS sent out Notices and Demand for the delinquent taxes with incorrect notice dates and payment due dates.[6] For the majority (99.6 percent) of the 89,338 Notices and Demand, the IRS also prepared and provided a stuffer (Notice 1052-A, *Important! You Have More Time to Make Your Payment)* which was inserted into the erroneous notice mailing to provide an explanation to taxpayers that some information on their Notices and Demand was incorrect. Specifically, taxpayers were informed that the dates on their notices were incorrect, that the payment date was extended to July 15, 2020, and that if not paid, penalties and interest would begin to accrue after that date. In other words, the IRS sent taxpayers notices that the amounts they owed were past due and were delinquent when in fact the IRS knew that the amounts were not delinquent.

Premature Notices and Demand were sent to 87,542 taxpayers who filed Tax Year 2019 returns prior to the revised July 15, 2020, due date.

In a meeting with IRS officials, we were informed as to how the decision to issue the erroneous notices was determined. As the shutdown of IRS print sites loomed, the IRS needed to make a decision as to whether to print and mail incorrect notices or to restart and reprogram the notices to be printed and mailed. The IRS decided that the timetable for restarting, reprogramming, and mailing the notices after the return due date would interfere with the IRS's preparation for the 2021 Filing Season in September 2020. Accordingly, the IRS decided to print and mail the incorrect notices to taxpayers and to include a notice stuffer that would provide an explanation that the due dates on the notice were incorrect and explain that there was additional time to pay the balance due.

The IRS's position on its decision to print and mail incorrect notices also involved the interpretation of the requirement to send the initial Notice and Demand letters to the taxpayer within 60 days after making a tax assessment. In the case of individual tax filings in a typical year, if a taxpayer files a tax return prior to April 15 for which a balance due is owed, the actual tax assessment date is the April 15 filing due date whether the taxpayer files the tax return on or before the due date of the return. The IRS sends a required Notice and Demand letter within a few weeks after April 15. IRS management explained that, even though the Tax Year 2019 filing due date was extended to July 15, the assessment date remained April 15, 2020.

Internal Revenue Code (I.R.C.) § 6303(a) states that, as soon as practicable but within 60 days of making an assessment, the IRS shall send notice and demand for payment. I.R.C. § 6303(b) states that, if any tax is assessed prior to the last date prescribed for payment of such tax, payment of such tax shall not be demanded under subsection (a) until after such date. IRS management reasoned that, since the legal assessment date for Tax Year 2019 returns was still April 15, they had to abide by I.R.C. § 6303(a), which prescribes that Notice and Demand is given

[6] CP 14 is required, by I.R.C. § 6303(a), to be sent to taxpayers when tax is assessed and a balance is due.

to the taxpayer within 60 days after making an assessment of a tax due. IRS management explained that, while its Notice 2020-23, *Additional Relief for Taxpayers Affected by Ongoing Coronavirus Disease 2019 Pandemic,* postponed the filing and payment date to July 15, Treasury Regulation § 301.7508A-1(b)(4) provides that "the postponement of the deadline of a tax-related act does not extend the due date for the act, but merely allows the IRS to disregard a time period of up to one year for performance of the act." In the case of these taxpayers, the IRS determined to assess the tax owed reflected on the tax returns even though the tax return due date had been moved to July 15 and decided to send these past-due notices to taxpayers even though the tax payments were not yet due.

IRS Counsel's memorandum proposed two options for IRS management to consider when deciding whether to send the outdated and incorrect notices to taxpayers (*i.e.*, either cancel the notices or issue incorrect notices). Counsel advised that, with reference to the 60-day time frame to send a Notice and Demand, an untimely notice would not invalidate the tax assessment. The advice addressed the possibility of litigation risk that could bar the IRS from collecting the assessed tax administratively if the Notice and Demand was not sent within the 60-day time frame. However, the advice further proposed how the litigation hazard could be avoided and cited Treasury Regulation § 301.7508A, under which the IRS could issue a notice that would postpone the 60-day period of issuing the Notice and Demand. Because there is evidence to support that the IRS could have postponed the period to send Notices and Demand to taxpayers, and would have remained within the law in doing so, the IRS had the opportunity to prevent undue burden to taxpayers by not sending outdated and incorrect notices. Instead, the IRS had the opportunity to delay the process, correct the notices, and eliminate the need to send additional notices of explanation in the way of stuffers.

Thousands of erroneous Collection Due Process (CDP) notices sent to taxpayers did not include a stuffer of explanation

In addition to the 89,338 premature Notices and Demand for Tax Year 2019 taxpayers, we identified a total of 1,366,765 CP notices (impacting 1,002,012 taxpayers) related to a balance due that were printed and mailed with stuffers. These were notices sent to taxpayers that contained incorrect information about the due dates of payments. The IRS developed three different stuffers to include with the erroneous notices that detail the revised payment due dates, including:[7]

- Notice 1052-A, *Important! You Have More Time to Make Your Payment*, for Notices and Demand; the IRS mailed 1,315,560 Notices 1052-A.[8]
- Notice 1052-B, *Important! You Have More Time to Make Your Payment*, for Notices and Demand with math errors; the IRS mailed 23,803 Notices 1052-B.[9]

[7] The IRS also provided notice counts that slightly differed from what we identified due to its inability to query the Notice Delivery System using one of the data fields we were able to use.

[8] I.R.C. § 6303, which addresses the IRS's obligation to send a Notice and Demand after assessment, includes notices such as balance due notices without a math error, Federal Tax Deposit discrepancies with a balance due, penalty notices, Shared Responsibility Payment notices, *etc*.

[9] Math Error notices inform taxpayers of a change to their return.

- Notice 1052-C, *Important! You Have Additional Time to Appeal*, for CDP notices; the IRS mailed 27,402 Notices 1052-C.[10]

While a majority of taxpayers received a stuffer detailing revised payment due dates, IRS management informed us that approximately 28,125 Notice 1052-C stuffers were missing from CDP notices informing taxpayers of the intent to levy if no action is taken. These stuffers were intended to be sent with the CDP notices to inform taxpayers of the adjusted date to request a timely CDP hearing. However, due to a communication error, approximately 28,125 notices were sent without the proper stuffer, impacting 16,892 individual taxpayers who were potentially burdened.

To attempt to rectify this issue, the IRS subsequently sent Letter 544C, *Apology for IRS Error,* to taxpayers who did not receive the stuffer. Letter 544C provided these taxpayers with information about having additional time to request a hearing.

Balance due reminder notices were paused due to mail backlogs, but some were not restarted as planned

In a letter dated August 19, 2020, a congressional committee explained that the IRS also accumulated a large backlog of unopened taxpayer mail (during the COVID-19 shutdown; approximately 12 million pieces), and some of the unprocessed mail contained payments. If the IRS continued to send balance due reminder notices, this could cause undue burden for taxpayers whose payments were sitting unprocessed in the backlogged mail.

In April 2020, the IRS made the decision to temporarily suspend sending balance due reminder notices effective May 9, 2020. The IRS announced the suspension publicly on August 21, 2020. These notices are generally mailed to taxpayers if the balance due is not resolved after the initial Notice and Demand (CP 14) is sent. Specifically, CP 501, *Individual (IMF) Balance Due – First Notice* (first notice); CP 503, *Individual (IMF) Balance Due – Second Notice* (second notice); and CP 504, *Final Balance Due Notice – 3rd Notice, Intent to Levy* (third notice), were suspended and none were mailed out after the IRS print sites resumed operations on June 1, 2020.[11]

On November 9, 2020, the IRS had intended to begin a phased approach to restart printing and issuing balance due reminder notices even though there were still some mail correspondence backlogs. IRS management explained that their decision to restart mailing the balance due reminder notices was to:

- Keep taxpayers informed about their balance due amounts because a continued delay in sending the notices and no communication from the IRS would result in higher balances due based on the continuation of accrual of penalties and interest.
- Help the IRS protect the Government's interest by allowing it to restart the paused collection and enforcement activities and attempt to recover the tax revenue sooner.
- Prevent complications if the IRS delayed the programming changes needed to restart the notices until Calendar Year 2021 because additional programming was needed to incorporate the tax law changes for the upcoming 2021 Filing Season.

[10] CDP notices inform the taxpayer of the IRS's intent to levy and give 30 days for the taxpayer to appeal by requesting a levy hearing.

[11] IMF = Individual Master File.

Management also explained that the likelihood of remittances or correspondence in the remaining mail backlog related to these notices greatly decreased once the backlogged mail was caught up after the July 15 extended deadline and that the four Submission Processing sites had already been processing mail that came in after July 15.

However, our review of the Notice Delivery System for notices mailed in November 2020 showed that the first and second balance due reminder notices were not sent out in early November as planned. This occurred due to the large number of overall notices (23.3 million) that were received by the print sites and were scheduled to be sent out in November. As a result, the IRS was unable to mail out over 11 million notices due to capacity problems. The IRS attempted to use its established print vendors to mitigate this backlog, but the vendors had their own capacity issues and could not accept approximately 5 million of the notices. In addition, some vendors had issues with downloading some of the large notice files and needed programming fixes. As a result, IRS management made a decision to purge approximately 6.2 million of the 11 million notices. IRS management made this decision after IRS counsel analyzed the 11 million notices and determined which of them were statutorily required versus which were procedurally required. Because first and second balance due reminder notices are not statutorily required, they were purged.

The IRS explained that it would move forward with issuing the first and second balance due reminder notices for those taxpayers who would receive the next notice in the collection notice status progression if their balances remained unresolved. Our review of the Notice Delivery System showed that the IRS resumed issuing these notices as of November 23, 2020.

The IRS was faced with a difficult dilemma in attempting to restart its notice operations in the wake of the shutdown due to COVID-19 in that many of the notices that were ready to be issued and required by law were inaccurate due to the delay in mailing the notices. Taxpayers have a right to be informed with correct information. While purging notices is problematic because there is a delay in taxpayers receiving vital information about their accounts, we believe that the IRS's decision to purge these notices was reasonable under the circumstances.

Millions of erroneous notices were again sent to taxpayers by January 2021

Although the IRS purged 6.2 million notices, the remaining approximately 4.8 million notices, some statutorily required, were sent to taxpayers by January 2021. Due to the delay in sending these notices, they had incorrect notice dates and payment due dates. The IRS developed a stuffer to include with the erroneous notices (Notice 1052-D, *Important! You Have More Time to Respond to the Enclosed Notice)* to explain to the taxpayer that the payment due date was extended.

The IRS provided the following information to show the estimated number and types of statutorily required notices with which the stuffer was supposed to be included.

- 2,108,737 notices – I.R.C. § 6303 notice and demand for tax that informs taxpayers of tax due and demands payment.
- 1,384,959 notices – I.R.C. § 7524 annual reminder notices that remind the taxpayer of an existing balance due.
- 150,658 notices – I.R.C. § 6213(b) math error notices that inform taxpayers of a change to their return.

There were also an estimated 1,177,384 notices of other types with which the stuffer was not to be included. The majority (93 percent) of these were notices of address change or notices that a refund would be sent by mail due to a failed direct deposit.

We are concerned with the IRS's decisions to send notices to taxpayers with erroneous due dates during the COVID-19 pandemic because taxpayers receiving these notices could be confused as to how to proceed, whether they received a stuffer of explanation with their notice or not, simply due to the original notices including incorrect information. In addition, because the Tax Year 2019 due date of July 15, 2020, coincides with the extended deadline for filing Tax Year 2019 income tax returns, the premature Notices and Demand likely caused confusion and, in some cases, economic hardship for taxpayers trying to plan expenses and payments during the economic downturn. Also, it likely impacted the IRS's ability to offer satisfactory taxpayer service based on the decision to mail erroneous notices related to balances due at the same time many other taxpayers were seeking assistance with their Economic Impact Payments, their Tax Year 2019 refunds, and individual and business Federal tax questions regarding their Tax Year 2019 filing requirements.

Recommendation 1: The Commissioner, Small Business/Self-Employed, should implement changes to its processes to avoid sending erroneous notices causing taxpayer burden.

> **Management's Response:** The IRS partially agreed with this recommendation. In their response, management stated that IRS senior leadership considered several options, balancing the needs to comply with statutory obligations, to provide accurate information to taxpayers, and to operate within the constraints imposed by the pandemic. Based on this analysis and advice from Counsel, management concluded that their approach (to send incorrect notices) was the best use of the IRS's limited resources that would minimize the risk of confusion on the part of taxpayers. While acknowledging that this is not an action they would take under ideal conditions, IRS management believes their solution was appropriate given the extraordinary situation. The IRS states that if such a circumstance occurs in the future, it will consider our recommendation.
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> **Office of Audit Comment:** It is very problematic to send notices to taxpayers that demand payment on a balance due which is not yet actually due and which contains interest and penalty information that is incorrect. Incorrect notices should not be intentionally sent to taxpayers under any circumstances. During this audit, IRS management communicated to us that they decided that the timetable for restarting, reprogramming, and mailing the notices after the revised Tax Year 2019 return due date would interfere with the IRS's preparation for the 2021 Filing Season in September 2020. As identified in our report, the IRS had the option to delay the process, correct the notices, and eliminate the need to send additional notices of explanation in the way of stuffers. Based on advice from IRS Counsel, the IRS had the option to postpone the 60-day period of issuing the Notice and Demand that would avoid any litigation hazard and would remain within the law in doing so. The IRS had the opportunity to prevent undue burden to taxpayers by not sending the erroneous notices but chose not to do so to ease its own administrative burden.

The People First Initiative Was Effective in Providing Relief to Taxpayers

On March 25, 2020, the IRS issued IR-2020-59 to temporarily adjust and suspend key compliance programs in order to help people facing the challenges of COVID-19 issues. The series of steps taken to assist taxpayers, from April 1 through July 15, 2020, were meant to provide relief on a variety of issues ranging from easing payment guidelines to postponing compliance actions. While our review of compliance actions during this time frame showed that the IRS was effective in providing relief to taxpayers, we did identify some errors.

No existing Installment Agreements were defaulted

The People First Initiative provided relief to taxpayers who were under existing Installment Agreements by allowing taxpayers to suspend payments due from April 1 through July 15, 2020. Taxpayers who were currently unable to comply with the terms of an Installment Agreement, including a Direct Debit Installment Agreement, were able to suspend payments during this period if they preferred, although interest would continue to accrue on any unpaid balances.

In addition, the IRS stated it would not default any Installment Agreements during this period. In order to default an Installment Agreement, the IRS would need to issue a CP 523, *Default on Your Installment Agreement (IA) Notice – Intent to Terminate Your IA,* to the taxpayer. Our review of the Notice Delivery System for CP 523 default notices determined that the IRS did not issue defaults on any Installment Agreements during the People First Initiative time frame.

Passport certifications to the Department of State were properly suspended

The IRS also stated that it would suspend new certifications to the Department of State for taxpayers who are "seriously delinquent" during this period. Seriously delinquent taxpayers are defined as those with a balance due of greater than $54,000. Passport certification prevents these taxpayers from receiving new passports or renewing old passports until the tax debt is addressed with the IRS.[12]

Our review of the Master File transaction codes for passport certifications found that the IRS properly prevented any new passport certifications from being sent to the State Department during the People First Initiative time frame.

No new taxpayer delinquent accounts were sent to private collection agencies

The IRS stated that any new delinquent taxpayer accounts would not be forwarded by the IRS to private collection agencies to work during the People First Initiative time frame. Our review of Master File transaction codes identified 29,033 delinquent tax modules for 23,021 taxpayers that were sent to private collection agencies during the People First Initiative time frame. However, further analysis determined that these tax modules were not new delinquent accounts but instead belonged to taxpayers who were already assigned to the private collection agencies; therefore, no new taxpayers accounts were assigned during this period.

[12] Pub. L. No. 114–94, § 32101, 129 Stat. 1312m 1729–1733 (2015).

Some offers in compromise were erroneously closed

As part of the People First Initiative, the IRS also took several steps to assist taxpayers with current and pending offers in compromise (offers), such as extending payment due dates to July 15, 2020. In addition, the IRS stated it would allow taxpayers until July 15, 2020, to provide requested additional information to support any pending offers and would not close any pending offer requests before July 15, 2020, without the taxpayer's consent.

We reviewed the IRS Master File transaction codes for offers that posted to Master File between April 1 and July 15, 2020, along with specific offer details in the IRS's Automated Offer in Compromise system. As a result of this analysis, we identified 199 offers affecting 199 taxpayers during this period. The offer determinations for these taxpayers were all completed prior to April 1, 2020, and all of these taxpayers received either a return letter or a rejection letter detailing their right to appeal within 30 days. Our review of a random sample of 56 of these offers identified eight rejected offers that were erroneously closed during the People First Initiative time frame. However, further review of these eight rejected offers showed that none of the eight taxpayers exercised their appeal rights or otherwise communicated with the IRS on the rejected offer prior to the July 15 cutoff period for the People First Initiative; therefore, there is no indication that closure of the eight rejected offer cases during the period harmed or burdened the taxpayers.[13]

Most levies were suspended, with a few exceptions

The IRS stated that new automatic (systemic) levies and levies initiated by revenue officers (field levies) would be suspended during the People First Initiative time frame. However, field revenue officers continued to pursue high-income nonfilers and perform certain collection activities if warranted, such as when there is a risk of permanent loss to the Government due to the expiration of a statute of limitations or other exigent circumstance or when the taxpayer has agreed to an action. Our review of levies issued by the Collection function from April 1 through July 15, 2020, showed that the majority of levies were effectively suspended during that period.

Automated Collection System levies were suspended

Levies are issued systemically or manually by employees through the Automated Collection System (ACS). Our review of the ACS for transactions specific to levies determined that no levies were issued during the period April 1 through July 15, 2020.

Automated Levy Program levies were suspended

Levies are also issued through the Automated Levy Programs. The IRS receives any proceeds from these levies electronically. The four types of Automated Levy Programs are the:

- Federal Payment Levy Program – levy attaches to Federal disbursements due an individual or business, such as Federal wages, retirement, vendor/contractor payments, and Social Security.
- State Income Tax Levy Program – levy attaches to participating State income tax refunds.

[13] We did not project the error cases to the population because we believe these taxpayers had sufficient time to appeal the rejected offers and were not harmed or burdened by the closure of their offers during the People First Initiative time frame.

- Municipal Tax Levy Program – levy attaches to participating local municipal income tax refunds.
- Alaska Permanent Fund Dividend Levy Program – levy attaches to the Permanent Fund Dividend distributed by Alaska.

The IRS has agreements established with the Bureau of the Fiscal Service for the Federal Payment Levy Program, participating States for the State Income Tax Levy Program, participating municipalities for the Municipal Tax Levy Program, and the State of Alaska for the Alaska Permanent Fund Dividend Levy Program. Under normal conditions, the IRS sends files to these participants on a regular basis, which contain lists of taxpayers that are eligible for the IRS to levy against. Automated Levy Program participants use these files to match against their own taxpayer data to identify taxpayers with refunds or credits available that can attach to the IRS levies.

Our review of the Automated Levy Programs showed that the IRS took appropriate steps to prevent the issuance of levies during the People First Initiative time frame. For example, the IRS:

- Stopped sending any new levy files to be matched to Federal, State, or municipal payments by the Automated Levy Program participants after March 20, 2020. The IRS had not sent any new levy files for matching against the Alaska Permanent Fund Dividend Levy program since Fiscal Year 2019.
- Issued memorandums on March 23, 2020, to the Automated Levy Program participants to suspend automated levies.
- Requested, on March 23, 2020, that the Bureau of the Fiscal Service set up an IRS agency bypass indicator on its system to prevent all Social Security and Federal payments from being levied.
- Instructed participating States and municipalities to stop their levy processing after completing their payment file matching for the last levy file sent to them on March 20, 2020.

Because of these actions, the Bureau of the Fiscal Service did not process any new Federal Payment Levy Program levies after March 23, 2020. While the IRS did receive some payments from Automated Levy Program participants from April 1 through July 15, 2020, the payments were for the levy files sent to and processed by these participants prior to the People First Initiative time frame, when it was operating under normal conditions.

Some revenue officer levies were issued in error

On March 30, 2020, the Director, Headquarters Collection, issued a memorandum that outlines suspension of certain collection activities during the COVID-19 pandemic absent exigent circumstances and executive approval. Thus, levies issued by revenue officers during this period on a case-by-case basis were allowed and considered appropriate if they were properly approved.

Revenue officers use the Integrated Collection System (ICS) to issue levies. Our review of levies issued from the ICS identified 349 levies, impacting 93 taxpayers, issued during the People First Initiative time frame. The IRS provided supporting evidence for 326 of the 349 levies, affecting 79 taxpayers. Based on our analysis of the ICS histories provided, we were able to attest that, for 68 of the 79 taxpayers, there was proper evidence of levy approval or an immediate levy release.

For the 11 taxpayers for which no approval was documented in the ICS history, Collection Policy management notated the name of the person who granted the levy approval and the approval date or confirmed with Field Collection staff that approval of the levy was received.

However, for the remaining 23 levies affecting 14 taxpayers, there was no indication of levy approval to issue the levy during the People First Initiative time frame. The IRS collected a total of $7,486.75 in proceeds from three of these 14 taxpayers. IRS management informed us that they contacted taxpayers to determine corrective action and issued manual refunds or credit transfers to these three taxpayers. These actions were confirmed through tax account research.

While the People First Initiative ended July 15, 2020, many IRS collection activities, including levies, did not restart immediately. Field levies by revenue officers were resumed on July 16, 2020, but employees were asked to apply good judgment in determining when enforcement action was appropriate. The ACS did not resume issuing manual levies until January 7, 2021; those levies can be issued now on a case-by-case basis by ACS collection representatives. ACS systemic levies and the Automated Levy Program levies had not started back up as of May 4, 2021. The IRS is evaluating a restart time frame for both programs; however, due to the ongoing COVID-19 pandemic, it did not have an estimated restart date.

Seizures were appropriately conducted

The IRS also stated that levies (including any seizures of a personal residence) initiated by field revenue officers will be suspended during the People First Initiative. However, field revenue officers will continue to pursue high-income nonfilers and perform certain collection activities when warranted, such as when there is a risk of permanent loss to the Government due to the expiration of statute or other exigent circumstance or when the taxpayer has agreed to an action. Also, a March 30, 2020, memo from the Director, Headquarters Collection, required that executive approval was also required for seizures during this period.

Our review showed that three seizures occurred from April 1 to July 15, 2020. TIGTA determined that the three seizures were, in all cases, appropriate to protect the Government's interest in collection of significant delinquent amounts due.[14] These situations reflected a risk of permanent loss to the Government due to the expiration of a statute of limitations or other exigent circumstances. Additionally, higher levels of approval were given for these seizures.

Most Notice of Federal Tax Lien (NFTL) filings were suspended, with some exceptions

The IRS attempts to collect Federal taxes due from taxpayers by sending letters, making telephone calls, and meeting face-to-face with taxpayers. As a matter of law, a lien arises upon the occurrence of a tax delinquency and encumbers the property of the delinquent taxpayer.[15] To protect the Government's claim, the IRS has the authority to file an NFTL in the appropriate State and local offices of record, which notifies interested parties that a lien exists.[16]

The People First Initiative stated that new automatic, systemic NFTL requests and NFTLs initiated by revenue officers would be suspended during the period. However, field revenue officers

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[14] TIGTA, Report No. 2020-30-058, *Fiscal Year 2020 Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property* (Sept. 2020).

[15] I.R.C. §§ 6321 and 6323.

[16] I.R.C. § 6323.

would continue to pursue high-income nonfilers and perform certain collection activities when warranted, such as when there is a risk of permanent loss to the Government due to the expiration of statute or other exigent circumstance or when the taxpayer has agreed to an action. Our review of the ACS and revenue officer–initiated NFTL filings showed that no systemic NFTL requests were filed during the period, but some NFTLs were filed in error by revenue officers.

Systemic NFTL requests were suspended

The IRS files NFTLs systemically requested through the ACS when certain case criteria are met. Our review of the ACS for transactions specific to NFTL filings showed that no systemic NFTLs were filed during the period April 1 through July 15, 2020.

Some NFTL filings initiated by revenue officers were made in error but later withdrawn

As previously discussed for levies, a memorandum from the Director, Headquarters Collection, dated March 30, 2020, outlined the suspension of certain collection activities during the COVID-19 pandemic absent exigent circumstances and executive approval. NFTL filings were allowed by revenue officers on a case-by-case basis with proper approval during the People First Initiative time frame. Also, NFTLs that were previously filed were allowed to be refiled during the period.

Our review of Master File transaction codes specific to NFTL filings found 1,445 lien transactions affecting 465 individual taxpayers and 808 lien transactions affecting 164 business taxpayers. Further research showed that the majority of these transactions applied to NFTLs that were refiled, which were acceptable under People First Initiative. Additionally, we conducted a review of ICS histories to determine if proper approvals were granted for the NFTL filings. Of the remaining population, we identified:

- 20 NFTL filings affecting 18 individual taxpayers. Of these:
    - [redacted]
    - 12 NFTL filings for 10 taxpayers were issued without proper approval, but the IRS identified these NFTLs prior to this audit and took corrective action to withdraw them. A review of Automated Lien System confirmed the NFTLs were withdrawn.
    - [redacted]
- 29 NFTL filings affecting 29 business taxpayers. Of these:
    - [redacted]
    - 26 NFTL filings for 26 taxpayers were issued without proper approval, but the IRS identified these prior to this audit and took corrective action to withdraw them. A review of Automated Lien System confirmed the NFTLs were withdrawn.

- [redacted]

IRS management informed us that, after the People First Initiative suspension period expired on July 15, 2020, they asked Field Collection to continue to initiate NFTLs only in exigent circumstances with elevated approval due to mail backlogs and limited capacity. On October 1, 2020, the IRS issued guidance to Field Collection, Specialty Collection–Offer in Compromise, and Specialty Collection–Insolvency employees to resume normal procedures to initiate new NFTLs. On October 19, 2020, the IRS issued guidance to ACS, Automated Collection System Support, and Compliance Services Collection Operation employees to resume manually requesting NFTLs. However, systemic NFTLs remain inactive as of February 25, 2021.

Nearly all examinations we identified were appropriately delayed

The People First Initiative provided for any new field, office, and correspondence examinations to be delayed and generally not start during the April 1 through July 15 period. However, the IRS stated it may start new examinations if deemed necessary to protect the Government's interest in preserving the applicable statute of limitations. Also, the IRS stated it would continue to work refund claims without in-person contact, continue open examinations, and encourage taxpayers to respond to any requests for information they already received or may receive during the period if they are able to do so.

Our review of examinations in the Audit Information Management System and Centralized Information System determined that 10,618 exams were placed into status code 12, meaning they were started, during the period of April 1 through July 15, 2020. Figure 1 shows the number of started examinations by the examination group during this period:

Figure 1: Exams Started During the People First Initiative

Exams Started April 1 – July 15, 2020	
Revenue Agent	8,289
Tax Compliance Officer	2,242
Tax Examiner	84
Revenue Officer	3
Totals	**10,618**

Source: TIGTA analysis of the Audit Information Management System and Centralized Information System.

The majority (78 percent) of the started exam cases were assigned to revenue agents, while 21 percent were assigned to tax compliance officers. The remaining 1 percent were assigned to tax examiners and revenue officers. Additionally, when we reviewed counts by business unit, we identified that the majority (9,763, or 92 percent) of the exams were started by the Small Business/Self-Employed Division, while the Large Business and International Division started the remaining 855 (8 percent).

The IRS explained that exams were appropriately started during the People First Initiative if deemed necessary to protect the Government's interest. The Small Business/Self-Employed

Division issued a memorandum to its Field and Specialty Examination employees on April 8, 2020, which details the criteria to use for those compliance activities that were allowed to continue during the People First Initiative time frame. The IRS stated that these cases likely met one or more of the criteria, including cases with a short statute of limitations, taxpayer-initiated requests, requests for Appeals, or continuing in-process case work after soft contact is made with the taxpayer. The IRS later informed us that, if the examination had taxpayer contact and did not have any of the memorandum criteria, it would be inappropriate to start during People First Initiative time frame.

We reviewed a statistical sample of 117 of the 10,618 exams that were started during the period of April 1 through July 15, 2020, to determine if the exams were appropriate. Our review of the examiner activity records for these cases showed that 52 of the exams had no initial contact with the taxpayer during the People First Initiative time frame. However, for 35 exams, we did identify that initial contact was made to the taxpayer.[17] After further research on the 35 exams, we determined that [redacted][18]

[17] During our review of Correspondence Examination Automation Support application, we identified 30 exams without electronic case files, and we did not have access to the complete paper files to make a determination.

[18] [redacted]

Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to evaluate actions taken by the Small Business/Self-Employed Division to assist taxpayers in response to COVID-19. To accomplish our objective, we:

- Reviewed the IRS's People First Initiative and other guidance related to COVID-19. We reviewed congressional concerns about taxpayer notice actions taken by the IRS during the COVID-19 pandemic.
- Interviewed Small Business/Self-Employed and Wage and Investment Division personnel to obtain an understanding of the collection and examination processes suspended during the People First Initiative time frame (April 1 through July 15, 2020), and interviewed various personnel responsible for making decisions and sending notices to taxpayers.
- Evaluated the actions taken as outlined in the People First Initiative by analyzing transaction code and notice data from the IRS Master File, examiner activity records, and Notice Delivery System.
- Determined whether the IRS suspended, if appropriate, the following compliance actions during the People First Initiative time frame: Installment Agreement defaults, certifications of passports to the Department of State, transfers of new accounts to private collection agencies, returns or rejections of offers in compromise, seizures, levies, NFTLs, and examinations.
- Identified a population of 199 offers in compromise that were closed as returned or rejected during the People First Initiative time frame. We selected and reviewed a statistical sample of 56 of the 199 returned or rejected offers to determine whether offers returned or rejected during the People First Initiative time frame were appropriate.[1]
- Identified a population of 10,618 examination cases that were started during the People First Initiative time frame. We selected a statistical sample of 117 of the 10,618 examination cases to determine whether examinations started during People First Initiative were appropriate.[2]
- Used the assistance of TIGTA's contract statistician to develop all sampling plans.
- Determined the number of Collection notices mailed to taxpayers with incorrect notice or payment due dates using the Notice Delivery System. We determined the number sent with and without a stuffer of explanation.
- Evaluated the legality of CP 14 notices sent to taxpayers prematurely for Tax Year 2019 by reviewing the IRS Counsel memorandum provided by the IRS.

[1] We selected our statistical sample of 56 from the population of 199 returned or rejected offers. This sample was based on a 90 percent confidence level, ± 10 percent precision, and 5 percent expected error rate.

[2] We selected our statistical sample of 117 from the population of 10,618 examination cases. This sample was based on a 90 percent confidence level, ± 10 percent precision, and 10 percent expected error rate.

- Evaluated the actions taken by the IRS to suspend and restart the CP 501, CP 503, and CP 504 balance due reminder notices during the COVID-19 pandemic. We interviewed IRS management to discuss actions taken to hold, purge, and issue these notices.

Performance of This Review

This review was performed with information obtained from Small Business/Self-Employed Division and the Wage and Investment Division during the period of November 2020 through June 2021. We were limited during this audit to conducting conference calls and requesting information via electronic mail because the COVID-19 pandemic curtailed our plans to make visitations to audit sites. We believe we were still able to conduct this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major contributors to the report were Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations); Phyllis Heald London, Director; Richard Viscusi, Audit Manager; Meaghan Tocco, Lead Auditor; and Anna Yip, Auditor.

Validity and Reliability of Data From Computer-Based Systems

During this review, we relied on information obtained from the IRS Notice Delivery System related to CP notices issued to taxpayers. Notice data were compared to Integrated Data Retrieval System data for a judgmental sample of 15 cases, and we determined that the data were reliable for purposes of this audit. We also used IRS Master File data obtained from the TIGTA Data Center Warehouse Individual Master File and Business Master File tables. We compared the transaction code found on the Individual and Business Master Files to the transaction code posted on Integrated Data Retrieval System for a judgmental sample of 32 cases and determined the information was sufficiently reliable for purposes of this audit.

Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: controls related to Installment Agreement default notices; rejections or returns of offers in compromise; certifications of passports to the Department of State; transfers of cases to private collection agencies; issuance of NFTLs, levies, and seizures; and determinations made to issue CP notices and conduct examinations during the People First Initiative time frame. We evaluated these controls by interviewing and corresponding with key personnel; analyzing applicable guidance; and analyzing ICS histories, examiner activity records, Automated Offer in Compromise system records, and Master File data.

Appendix II

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Taxpayer Burden – Potential; 87,542 taxpayers who received a CP 14 notice generated for individual taxpayers who filed Tax Year 2019 tax returns showing balances due by April 15, 2020, even though the taxes were not actually due until July 15, 2020, because of the extended filing due date (see Recommendation 1).

Methodology Used to Measure the Reported Benefit:

Our review of the Notice Delivery System for the period June 1 through July 15, 2020, resulted in the identification of 89,338 CP 14 notices (affecting 87,542 taxpayers) that were generated for individual taxpayers who filed Tax Year 2019 tax returns before the extended filing date of July 15, 2020. These notices showed balances being owed even though the taxes were not actually due because of the filing extension. For these taxpayers, the IRS sent out Notices and Demand for the delinquent taxes with incorrect notice dates and erroneous due dates that included a stuffer with an explanation of the revised due date of July 15, 2020. IRS Counsel's memorandum proposed two options for IRS management to consider when deciding whether to send the outdated and incorrect notices to taxpayers (*i.e.*, either cancel the notices or issue incorrect notices). The IRS's position on its decision to print and mail incorrect notices also involved the interpretation of the requirement to send the initial Notice and Demand to the taxpayer within 60 days after making a tax assessment. The IRS included a notice stuffer that would provide an explanation that the due dates on the notice were incorrect and explain that there was additional time to pay the balance due. Although the majority of these Notices and Demand included the explanatory stuffers to correct the notice and payment due dates, taxpayers could be confused as to how to proceed, whether they received a stuffer of explanation with their notice or not, simply due to the original notices including incorrect information. The IRS had the opportunity to prevent undue burden to taxpayers by purging the outdated and incorrect notices and sending correct notices at a later date.

Management's Response: The IRS agreed with this outcome measure, assuming that none of the affected 87,542 taxpayers read the explanatory stuffer that accompanied the notice. The IRS's decision to send the notices with the explanatory stuffer was designed to mitigate the risk of possible taxpayer confusion and fully apprise them of their rights and obligations.

Office of Audit Comment: We believe that the methodology used to quantify the outcome was appropriate and provided a reasonable estimate of potential taxpayer burden. TIGTA acknowledges that some taxpayers may have read their stuffer; however, the IRS had the opportunity to prevent undue burden to taxpayers by not sending the erroneous notices.

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Actual; 14 taxpayers with levies issued during the People First Initiative time frame that did not have the proper approvals, by which the IRS collected $7,486.75 in proceeds (see p. 10).

Methodology Used to Measure the Reported Benefit:

Our review of the Integrated Collection System for the period April 1 through July 15, 2020, resulted in the identification of 23 levies affecting 14 taxpayers for which there was no indication of approval to issue the levy during the People First Initiative time frame. The IRS collected a total of $7,486.75 in proceeds from three of the 14 taxpayers. IRS management informed us that they contacted taxpayers, took corrective action, and issued manual refunds or credit transfers to these three taxpayers.

Appendix III

Management's Response to the Draft Report

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

COMMISSIONER
SMALL BUSINESS/SELF-EMPLOYED DIVISION

August 23, 2021

MEMORANDUM FOR MICHAEL E. McKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Darren John Guillot Digitally signed by Darren J. Guillot Date: 2021.08.23 07:28:35 -04'00'
Commissioner, Small Business/Self-Employed, Collection

SUBJECT: Draft Audit Report – People First Initiative Actions Helped Taxpayers During the Pandemic; However, Many Taxpayers Received Inaccurate Collection Notices (Audit #2020230628)

Thank you for the opportunity to review and comment on the subject draft audit report. The COVID-19 pandemic created unprecedented challenges for the nation and the Internal Revenue Service. Although the challenges we faced were formidable, we remained focused on keeping taxpayers informed of their rights and responsibilities, as well as helping them to timely and accurately file, report, and pay their tax obligations.

Following the nationwide state of emergency ordered by the President on March 11, 2020, the IRS announced and implemented an initiative to administer the internal revenue laws in a manner that was fair, equitable, and put people first. To ease the burden on taxpayers attempting to meet their tax obligations while also coping with the challenges they were experiencing due to COVID-19, we temporarily adjusted and generally suspended many key compliance programs between April 1, 2020 and July 15, 2020. We are proud of the hard work and dedication of our IRS employees who designed, implemented, and carried out the People First Initiative and your acknowledgement of our effectiveness in providing relief to taxpayers is greatly appreciated.

As your report notes, the nationwide state of emergency and the temporary closure of our Correspondence Production Services locations caused the IRS to accumulate thousands of notices for delivery, with outdated information. These notices, which inform taxpayers of their obligations and rights, must be provided to taxpayers. IRS senior leadership considered several options, balancing the need to comply with statutory obligations, provide accurate information to taxpayers, and operate within the constraints imposed by the pandemic. Based on this analysis, we concluded that our approach was the best use of our limited resources that would minimize the risk of confusion on the part of taxpayers. As you acknowledged, we mitigated the possible burden to the affected 87,000 taxpayers by developing, printing, and sending an explanatory stuffer that fully apprised them of the issue and protected their rights. We believe our decision was effective for the vast majority of taxpayers and minimized the risks to tax administration. The pandemic was an unprecedented event that required us to make real-time decisions in a very resource-constrained environment. Should we encounter circumstances in the future that would require a similar balancing of resources, we will take your recommendations into consideration in our decision making.

Attachment

Attachment

RECOMMENDATION 1:
The Commissioner, Small Business/Self Employed, should implement changes to its processes to avoid sending erroneous notices causing taxpayer burden.

CORRECTIVE ACTION:
The IRS always strives to provide accurate and up-to-date information in our contacts with taxpayers. Our notice processes are designed to send timely, transparent, and accurate information to taxpayers. If the COVID-19 pandemic had not caused a nationwide state of emergency, we would not have accumulated a backlog of notices and demand for tax in 2020. IRS senior management, after consulting with the Office of Chief Counsel, made a decision that aimed to carry out our tax administration responsibilities effectively while mitigating risk and imposing the least possible burden on taxpayers. By developing, printing, and including an explanatory stuffer with the notice, we mitigated the potential burden on taxpayers who received the backlogged notices to the extent possible. While we acknowledge that this is not an action we would take under ideal conditions, we believe our solution was appropriate given the extraordinary situation. Should future circumstances cause us to be faced with a similar decision, we will take this report's findings into consideration.

IMPLEMENTATION DATE:
Not applicable.

RESPONSIBLE OFFICIAL:
Not applicable.

OUTCOME MEASURE:
Taxpayer Burden - Potential; 87,542 taxpayers who received a *CP 14 Balance Due, No Math Error* notice generated for individual taxpayers who filed 2019 tax returns showing balances due of April 15, 2020 even though the taxes were not actually due until July 15, 2020 because of the filing extension due date (see Recommendation 1).

IRS Response:
The outcome measure identified by TIGTA, although potential, assumes that none of the affected 87,542 taxpayers read the explanatory stuffer that accompanied the notice. Our decision to send the notices with the explanatory stuffer was designed to mitigate the risk of possible taxpayer confusion and fully apprise them of their rights and obligations.

Appendix IV

Glossary of Terms

Term	Definition
Audit Information Management System	A computer system used by IRS Examination functions to control returns, input assessments/adjustments to the Master File, and provide management reports.
Automated Collection System	A telephone contact system through which telephone assistors collect unpaid taxes and secure tax returns from delinquent taxpayers who have not complied with previous notices.
Automated Lien System	A comprehensive database that generates and prints lien notices (Notices of Federal Tax Lien), stores taxpayer information, and documents all lien activity. Lien activities on both Automated Collection System and Integrated Collection System cases are controlled on the Automated Lien System by the Centralized Lien Operation functions at the Cincinnati, Ohio, Campus. Employees at the Cincinnati Campus process the lien notices and respond to taxpayer inquiries using the Automated Lien System.
Automated Offer in Compromise	The application that tracks and controls offers in compromise. Area Offices and campuses share a common database that contains relevant offer information. The application allows the user to process, view, and track the status of each offer. The Automated Offer in Compromise system also generates forms, letters, and managerial reports. It is maintained by the Austin Development Center.
Business Master File	The IRS database that consists of Federal tax-related transactions and accounts for businesses. These include employment taxes, income taxes on businesses, and excise taxes.
Centralized Information System	A monitoring and reporting tool used to perform detailed analyses of tax cases within examination and case inventory levels, to monitor the examination process, and to effectively plan for ongoing examination operations.
Collection Due Process	I.R.C. § 6330 gives the taxpayer the right to appeal before a proposed levy action and after a jeopardy levy, a disqualified employment tax levy, a levy on a Federal contractor, and a levy on State tax refunds. The IRS notifies taxpayers of their Collection Due Process rights by issuing a notice explaining their right to request a hearing.

Term	Definition
Correspondence Examination Automation Support	A suite of web-based applications developed to enhance the examination process. The application also enables case assignment and transfer between examination groups and batch groups. It facilitates universal view of the campus exam case inventory records and also allows the display of client-generated tax reports and letters associated with the exam case.
Data Center Warehouse	A TIGTA repository of IRS data.
Filing Season	The period from January 1 through mid-April when most individual income tax returns are filed.
Fiscal Year	Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.
Individual Master File	The IRS database that maintains transactions or records of individual tax accounts.
Integrated Collection System	A system used by Field Collection function employees (revenue officers) to report taxpayer case time and activity.
Integrated Data Retrieval System	IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.
Math Error	A program whereby the IRS contacts taxpayers through the mail or by telephone when it identifies mathematical errors or mismatches of taxpayer information that would result in tax changes.
Notice Delivery System	A server-based system to process taxpayer notices files. Files are loaded to a database, sorted, processed, and printed. Database records are then passed to servers located on mail inserters to control the insertion process. U.S. Postal Service mail manifest data are printed from the Notice Delivery System servers for postal acceptance and processing.
Shared Responsibility Payment Notices	Beginning with the 2015 Filing Season, if a taxpayer or anyone in the taxpayer's tax household does not have minimum essential coverage and does not qualify for a coverage exemption, the taxpayer will receive a notice informing the taxpayer to make a shared responsibility payment when filing their Federal income tax return.
Tax Year	A 12-month accounting period for keeping records on income and expenses used as the basis for calculating the annual taxes due. For most individual taxpayers, the tax year is synonymous with the calendar year.

Appendix V

Abbreviations

ACS	Automated Collection System
CDP	Collection Due Process
COVID-19	Coronavirus Disease 2019
CP	Computer Paragraph
ICS	Integrated Collection System
I.R.C.	Internal Revenue Code
IRS	Internal Revenue Service
NFTL	Notice of Federal Tax Lien
TIGTA	Treasury Inspector General for Tax Administration

To report fraud, waste, or abuse,
call our toll-free hotline at:

(800) 366-4484

By Web:

www.treasury.gov/tigta/

Or Write:

Treasury Inspector General for Tax Administration

P.O. Box 589

Ben Franklin Station

Washington, D.C. 20044-0589

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