

# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



## **Fiscal Year 2024 Statutory Review of Compliance With Legal Guidelines When Issuing Levies**

September 20, 2024

Report Number: 2024-300-056

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.

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# HIGHLIGHTS: Fiscal Year 2024 Statutory Review of Compliance With Legal Guidelines When Issuing Levies

Final Audit Report issued on September 20, 2024

Report Number 2024-300-056

## Why TIGTA Did This Audit

This audit was initiated because TIGTA is responsible for annually determining whether the IRS complied with the IRS Restructuring and Reform Act of 1998 requirement to notify taxpayers and their authorized representatives of the right to a Collection Due Process (CDP) hearing prior to issuing levies and to suspend levy action during the time frames required pursuant to Internal Revenue Code § 6330.

## Impact on Tax Administration

When taxpayers do not pay delinquent taxes, the IRS has authority to work directly with financial institutions and other third parties to seize taxpayers' assets. This action is commonly referred to as a levy. The law requires the IRS to notify taxpayers at least 30 calendar days prior to the first issuance of a levy on a particular tax module and allows taxpayers the opportunity to request a CDP levy hearing prior to the first levy on a delinquent account.

## What TIGTA Found

TIGTA reviewed levies issued by Field Collection revenue officers for more than 48,000 taxpayers during the period July 1, 2022, through June 30, 2023. The IRS generally complied with legal and administrative requirements. However, TIGTA identified more than 1,900 instances of noncompliance that resulted in potential violations of taxpayers' rights or taxpayers being burdened, including:

### SUMMARY OF RESULTS



**107 violations**

Levies erroneously issued while a CDP levy hearing was pending.



**54 violations**

Taxpayers were not notified of their CDP rights.



**29 violations**

Taxpayers were not timely notified of their CDP rights.



**23 violations**

Taxpayers did not receive a new CDP levy notice after an additional tax assessment was made.



**437 (estimated) violations**

Taxpayers' CDP levy notices were sent to unauthorized representatives.



**1,312 (estimated) procedural errors**

Taxpayers' CDP levy notices were not sent to an authorized representative, and the taxpayers were not notified that the representative did not receive the notice.

## What TIGTA Recommended

TIGTA made nine recommendations to help improve the proper issuance of levies by the IRS, including that the IRS should revise the Internal Revenue Manual to require revenue officers to check their mail and faxes for any CDP levy hearing requests prior to issuing levies; implement several different programming fixes to ensure that the Integrated Collection System does not allow levies to be issued improperly; and contact taxpayers who were not given the opportunity for a CDP levy hearing, if appropriate, and obtain authorization to retain any improper levy proceeds or refund the proceeds to the taxpayer.

IRS management agreed with all nine recommendations and plans to take corrective action.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**U.S. DEPARTMENT OF THE TREASURY**  
**WASHINGTON, D.C. 20024**

September 20, 2024

**MEMORANDUM FOR:** COMMISSIONER OF INTERNAL REVENUE

**FROM:** Danny R. Verneuille  
Acting Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Fiscal Year 2024 Statutory Review of Compliance  
With Legal Guidelines When Issuing Levies (Audit No.: 2024300003)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) complied with the IRS Restructuring and Reform Act of 1998 requirements and IRS policy to notify taxpayers and their authorized representatives of the right to a Collection Due Process hearing prior to issuing levies and to suspend levy action during the time frames required pursuant to Internal Revenue Code § 6330. This review is part of our Fiscal Year 2024 Annual Audit Plan and addresses the major management and performance challenge of *Taxpayer Rights*.

Management's complete response to the draft report is included as Appendix IV. If you have any questions, please contact me or Frank O'Connor, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations).

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## Background

When taxpayers do not pay delinquent taxes, the Internal Revenue Service (IRS) has the authority to work directly with financial institutions and other third parties to seize taxpayers' assets. This action is commonly referred to as a "levy" (see Appendix III for an example of Form 668-A, *Notice of Levy*).<sup>1</sup> The Internal Revenue Code (I.R.C.) generally requires the IRS to provide taxpayers notice of its intention to levy at least 30 calendar days before initiating the levy action.<sup>2</sup>

The IRS Restructuring and Reform Act of 1998 expanded upon this notice requirement by creating I.R.C. § 6330, which requires the IRS, in addition to giving the taxpayer 30 calendar days' notice of the IRS's intent to levy, to notify taxpayers on the first notice of intent to levy of their right to request a Collection Due Process (CDP) hearing at which time taxpayers can raise various issues with respect to the proposed levy (CDP rights).<sup>3</sup> The taxpayer is required to be notified again prior to levy on the new balance whenever any new (additional) tax assessments are applied to the taxpayer account. The law provides an exception to the 30 calendar-day notice requirement for certain situations, such as levies on a State tax refund, levies on Federal contractors, disqualified employment tax levies (DETL), and jeopardy levies.<sup>4</sup> These taxpayers must still be given their CDP rights within a reasonable period of time after the levy.

The law requires that all levy actions be suspended during the 30 calendar days after the issuance of the Notice of Intent to Levy and Notice of Your Right to a Hearing for those periods that are the subject of the requested hearing as well as throughout the entire period that a hearing (including any appeals from the hearing) is pending.<sup>5</sup> CDP rights include the right to a fair and impartial hearing before the IRS Independent Office of Appeals (Appeals).<sup>6</sup> The notice required by I.R.C. § 6330 must include the amount of unpaid tax, the right to request a CDP levy hearing, and the proposed action the IRS intends to take, along with other important information on topics such as collection alternatives.<sup>7</sup>

The IRS Restructuring and Reform Act of 1998 also added I.R.C. § 7803(d)(1)(A)(iv), which requires the Treasury Inspector General for Tax Administration (TIGTA) to annually verify

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<sup>1</sup> I.R.C. §§ 6331(a) and (b).

<sup>2</sup> See Appendix V for a glossary of terms. I.R.C. § 6331(d).

<sup>3</sup> 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. §§ 6330(a)–(c) provide that taxpayers can raise "any relevant issue relating to the unpaid tax or the proposed levy, including (i) appropriate spousal defenses; (ii) challenges to the appropriateness of collection actions; and (iii) offers of collection alternatives which may include the posting of a bond, substitution of other assets, an installment agreement, or an offer in compromise."

<sup>4</sup> I.R.C. § 6330(f). Pursuant to I.R.C. § 6330(h)(1), a DETL "is any levy in connection with the collection of employment taxes for any taxable period if the person subject to the levy (or any predecessor thereof) requested a hearing under this section with respect to unpaid employment taxes arising in the most recent 2-year period before the beginning of the taxable period with respect to which the levy is served." Pursuant to I.R.C. § 6331(a), a jeopardy levy is when "the collection of such tax is in jeopardy."

<sup>5</sup> I.R.C. §§ 6330(a) and (e).

<sup>6</sup> I.R.C. § 6330(b).

<sup>7</sup> I.R.C. § 6330(a)(3).

whether the IRS is complying with the required procedures under I.R.C. § 6330.<sup>8</sup> TIGTA conducts multiple reviews each year focusing on different aspects of the IRS's implementation of I.R.C. § 6330. This review focuses on whether the IRS provides the taxpayer with a notice of CDP appeal rights, generally required at least 30 calendar days before taking levy action, and whether levy action is suspended as required under I.R.C. § 6330 if the taxpayer requests a CDP levy hearing with an exception for those situations listed under I.R.C. § 6330(f). This is the 26<sup>th</sup> year in which we have evaluated the controls over levies. While levies can be issued for monetary or physical assets, this report specifically addresses levies of taxpayers' monetary assets.<sup>9</sup>

The first step in the collection process involves mailing taxpayers a series of notices asking for payment of the delinquent taxes. The final notice is the CDP levy notice (Notice of Intent to Levy) that informs the taxpayer of their right to a CDP levy hearing.<sup>10</sup> After the conclusion of the CDP (including appeal rights and judicial review, if those rights are exercised), the IRS may take collection actions to collect delinquent taxes. The IRS may collect monetary assets from the taxpayer by issuing levies through the Automated Collection System (ACS), Field Collection, or one of the IRS's Automated Levy Programs (ALP), or the IRS can seize both personal and real property.<sup>11</sup> The following is a brief description of the functions and processes through which levies on financial assets occur, which includes IRS ACS sites, Field Collection, and the ALPs.

- IRS ACS sites contain collection representatives (and support staff) who interact with delinquent taxpayers by telephone to collect unpaid taxes and secure tax returns. The three types of levy issuance in the ACS function are:
  - **Systemic levies** – generated by the ACS Systemic Levy Program.
  - **Paper levies** – issued by collection representatives through the ACS.
  - **Manual levies** – issued by collection representatives after manually typing the levy.
- Field Collection employs revenue officers who contact taxpayers with delinquent accounts in person and over the telephone to resolve delinquent accounts. Delinquent accounts assigned to revenue officers in the field offices are controlled and monitored on the Integrated Collection System (ICS). The two types of levy issuance in the Field Collection function are:
  - **Systemic levies** – issued by revenue officers through the ICS.
  - **Manual levies** – issued by revenue officers after manually typing the levy.
- The ALPs operate electronically without employee action and proceeds are received electronically. The four ALPs are:

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<sup>8</sup> I.R.C. § 7803(d)(1)(A)(iv).

<sup>9</sup> Examples of physical assets are real property, automobiles, and business inventory, the taking of which is commonly known as seizure. Annual reporting of seizures is covered by TIGTA in a separate review.

<sup>10</sup> A taxpayer may receive either an LT 11, *Notice of Intent to Levy and Notice of Your Right to a Hearing*, which is issued by the Automated Collection System, or a Letter 1058, *Notice of Intent to Levy and Notice of Your Right to a Hearing*, which is issued by field Collection through the Integrated Collection System.

<sup>11</sup> Levies issued by the ALPs, such as the Federal Payment Levy Program and the State Income Tax Levy Program, are transmitted electronically, and proceeds are typically received electronically.

- **Federal Payment Levy Program** – Levy attaches to Federal disbursements due to 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.
- **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.

Sometimes balance due notices do not successfully resolve delinquent accounts, and taxpayer cases must be assigned to revenue officers in Field Collection offices for face-to-face contact with taxpayers. Taxpayer cases assigned to revenue officers are controlled on the ICS. Revenue officers use the ICS to record collection activity on the delinquent taxpayer cases and to generate enforcement actions such as levies.

The IRS established an automated control in the ICS that prevents systemic levies from being issued unless taxpayers have been provided notice of their CDP rights at least 30 calendar days prior to the issuance of the levies. If no CDP letter has been sent, or fewer than 30 calendar days have elapsed since the CDP levy notice date, the ICS will not generate a levy. An ICS systemic levy occurs when the revenue officer requests a levy through the ICS.

Controls in the ACS, the ICS, and the ALP systems have been designed to help ensure that taxpayers are notified of their CDP rights at least 30 calendar days prior to ACS systemic and paper levies, ICS systemic levies, and ALP levies (when required).<sup>12</sup> However, there is a higher risk of IRS noncompliance with I.R.C. § 6330 and its related regulations and procedures when ACS collection representatives and revenue officers issue manual levies. This is because employees request these levies outside of the systemic controls on the ACS and the ICS. In particular, ICS manual levies do not require manager approval. All ACS manual levies require manager or lead review, which helps to mitigate the risk of noncompliance with the law.<sup>13</sup>

The IRS has never tracked complete information about the issuance of ICS manual levies. In a prior review, IRS management informed us that they track the total number of manual levies issued by revenue officers.<sup>14</sup> However, the IRS does not collect any details about these levies, such as the Taxpayer Identification Number, the tax year, or the date of the levy; therefore, neither TIGTA nor IRS management can identify the exact population of manual levies issued by revenue officers during our review period. Generally, we perform data mining to search ICS history files for indications of these levies and test a sample as part of our review.

Figure 1 shows the number of notices of levy served on third parties by the ACS and Field Collection programs from Fiscal Years (FY) 2019 through 2023.

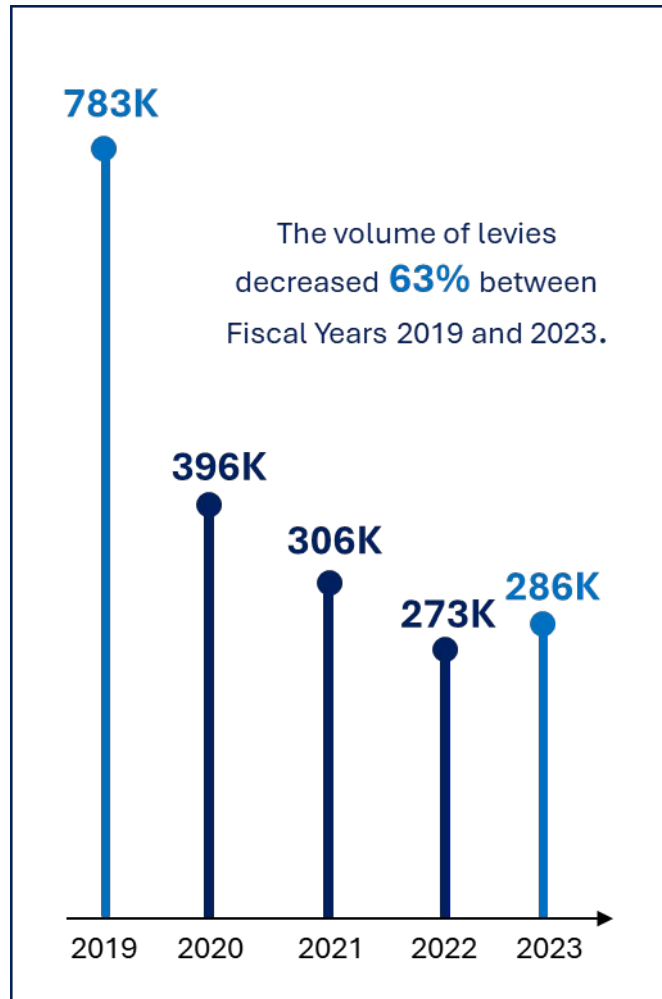
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<sup>12</sup> Per I.R.C. § 6330(f), the IRS is not required to issue a CDP levy notice prior to levy issuance for levies on State income tax refunds, Federal contractors, and DETLs but is required to issue a CDP levy notice within a reasonable amount of time after the levy if that levy is the first levy made with respect to a particular tax and tax period.

<sup>13</sup> A "lead" while not technically a manager is a more experienced IRS employee who can handle more complex assignments and provide guidance to employees.

<sup>14</sup> TIGTA, Report No. 2019-30-070, *Fiscal Year 2019 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* p. 3 (Sept. 2019).

**Figure 1: Notices of Levy Served on Third Parties  
(FYs 2019 through 2023)**



Source: IRS Data Books FYs 2019 through 2023.

Levies have significantly declined in recent years due to the decision by IRS management to pause levy actions several times during the Coronavirus Disease 2019 Pandemic. After having restarted these levies in August 2021, management again paused all ACS generated levies and ALP levies in January 2022. Additionally, in May 2023 the IRS Deputy Commissioner, Small Business/Self-Employed (SB/SE) Division, Collection and Operations Support, announced that certain collection notices (including levies) paused in the prior year would gradually resume, although the start dates had not been determined.

We evaluated both Field Collection's ICS systemic levies and ICS manual levies and determined that there were 287,569 systemic levies and 2,546 manual levies issued from July 1, 2022, through June 30, 2023. Due to the pause of ACS levies, there were none issued during this audit period; therefore, none to review. Also, this year we did not review ALP levies because they were reviewed in our FY 2023 audit. We will review ALP levies again in our FY 2025 review if the program is restarted timely. As of May 2024, neither the ALP nor ACS levies had restarted. IRS management stated that they anticipated restarting those programs later this year.



## Results of Review

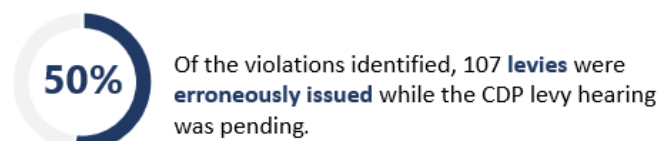
### Levies Systemically Issued by Field Collection Generally Complied With Legal Requirements, With Some Exceptions

Of the 48,535 taxpayers with ICS systemic levies issued by Field Collection during the period July 1, 2022, through June 30, 2023, 99.5 percent of the levies were issued properly, showing that the IRS generally complied with legal and administrative requirements. However, there were some instances of noncompliance resulting in 213 violations impacting 208 taxpayers' rights:<sup>15</sup>



### Some taxpayers with pending CDP levy hearings were improperly issued ICS systemic levies

Of the 107 taxpayers who were subjected to levies that were issued while a CDP levy hearing was pending, IRS management agreed that all were taxpayer rights violations. According to IRS management, these violations occurred for several reasons. Specifically, for:



- 88 taxpayers – revenue officer errors resulted in levies being issued despite the taxpayer's timely request for a CDP levy hearing. Of the 88 taxpayers issued improper levies, there were:

<sup>15</sup> Some taxpayers had more than one type of violation. Five taxpayers had a violation for not receiving their CDP rights and also had a violation for not receiving a new CDP levy notice after an additional tax assessment was made.

- 64 taxpayers - the revenue officer did not properly process the CDP levy hearing request into the system timely or correctly.
- 10 taxpayers - the revenue officer incorrectly input or interpreted the CDP levy hearing request as an equivalent hearing.<sup>16</sup> The IRS can issue levies during an equivalent hearing. However, the request was for a timely CDP levy hearing, so the levy violated the taxpayer's rights.
- 4 taxpayers - the case was transferred to a new revenue officer, who was not aware that the prior revenue officer had received a CDP levy hearing request. The systemic control did not work because the previous revenue officer did not enter the request into the system.
- 4 taxpayers - the revenue officer was a new hire and unaware that the CDP levy hearing requests had not loaded onto the system.
- [REDACTED] - the revenue officer did not properly send the cases to Appeals.
- [REDACTED]  
[REDACTED] <sup>17</sup> Jeopardy levies are legally allowed during a CDP hearing, [REDACTED]  
[REDACTED]
- [REDACTED]  
[REDACTED] <sup>18</sup> DETLs are legally allowed during a CDP hearing, [REDACTED]  
[REDACTED]
- [REDACTED]  
[REDACTED] When this occurs, it is the revenue officer's responsibility to review Integrated Data Retrieval System transactions to ensure that the pre-levy requirements are met. This was addressed in prior TIGTA reviews.<sup>19</sup> In response, the IRS implemented a programming change in January 2022 to display a warning message alerting the employee to verify that a manually created module has received the proper CDP levy notice. However, these errors continue to occur.

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<sup>16</sup> Per Internal Revenue Manual (IRM) 5.1.9.3.2.2 (Oct. 19, 2023), if the taxpayer misses the time period for requesting a timely CDP hearing, then the taxpayer may request an administrative hearing with Appeals, which is referred to as an equivalent hearing. Appeals will hold the equivalent hearing, generally following the same procedures for a timely CDP hearing. Appeals will issue a Decision Letter, and the taxpayer is not entitled to judicial review. Unlike a CDP hearing, levies are not required to be suspended during an equivalent hearing.

<sup>17</sup> Per IRM 5.17.15.4(2) (Feb. 28, 2022), if collection of the tax is in jeopardy, the IRS is not required to wait 10 days after giving the taxpayer notice and demand, or 30 days after giving notice of intent to levy and notice of a right to a CDP hearing (or the additional 15 days generally given to allow for receipt of a timely mailed request for CDP hearing per IRM 5.11.1.3.2(5)).

<sup>18</sup> Per IRM 5.1.9.3.14(8) (Oct. 19, 2023), a DETL levy may be served during a timely requested pre- or post-levy CDP hearing or judicial review of such hearing to collect employment tax liabilities (DETL tax periods) subject to the hearing.

<sup>19</sup> TIGTA, Report No. 2020-30-065, *Fiscal Year 2020 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* p. 7 (Sept. 2020), and TIGTA, Report No. 2022-30-061, *Fiscal Year 2022 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* p. 4 (Sept. 2022).

- 11 taxpayers – a programming issue allowed Business Master File taxpayers to have levies generated during an open CDP levy hearing.
- 8 taxpayers – ACS Support did not timely or correctly input the taxpayer’s CDP levy hearing requests into the system, which prevents a levy from being issued.
  - In last year’s review, we recommended that the IRS conduct a study of CDP levy hearing requests to determine the average time frame from when CDP levy hearing requests are received to when they are input into the CDP tracking system, and use the results of this study to determine a reasonable time frame to begin taking levy action against a taxpayer after they have been issued their CDP levy notice. This study is due to be completed in October 2024. Therefore, we will not be making an additional recommendation to address this issue.

When mail containing a taxpayer’s Form 12153, *Request for a Collection Due Process or Equivalent Hearing*, or a hand-written correspondence requesting a CDP levy hearing is received in the ACS Support function, it is sorted and reassigned by the ACS Support clerical staff within two business days of receipt.<sup>20</sup> Within 10 business days of receipt in ACS Support, the request must be input into the CDP tracking system.<sup>21</sup>

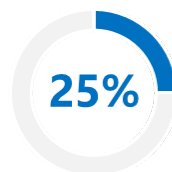
When mail or faxes containing a request for a CDP levy hearing are received by the revenue officer, the revenue officer must:

1. Determine if the hearing request is complete and can be processed.
2. Determine if the hearing request is timely.
3. If the hearing request is timely and can be processed, document receipt in the system as soon as possible, but no later than 10 calendar days from receipt.<sup>22</sup>

It is important that employees check for CDP hearing requests and input these requests timely and properly when received in order to allow systemic controls to prevent improper levies as well as to prevent the IRS from facing potential civil lawsuits under I.R.C. § 7433 in Federal District Court.<sup>23</sup> After reviewing the accounts of impacted taxpayers, we identified 13 taxpayers with erroneous levy payments, totaling \$432,628.

### **Some taxpayers with ICS systemic levies were not notified of their CDP rights**

Of the 54 taxpayers that did not receive a CDP levy notice, IRS management agreed that all were taxpayer rights violations. According to IRS management, these



Of the violations identified, 54 taxpayers **did not receive** a CDP levy notice.

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<sup>20</sup> ACS Support is a Compliance Operation, supporting ACS Call-Sites, resolving correspondence from taxpayers, their representatives, or third-party contacts.

<sup>21</sup> IRM 5.19.6.11.5 (Mar. 7, 2024).

<sup>22</sup> IRM 5.1.9.3.3 (Oct. 19, 2023).

<sup>23</sup> I.R.C. § 7433 permits taxpayers to file a civil action for damages against the United States in a U.S. District Court if any officer or employee of the IRS recklessly or intentionally, or by reason of negligence, disregards any provision of the tax code. However, a judgment for damages shall not be awarded unless the court determines that the taxpayer has exhausted the administrative remedies available within the IRS.

violations occurred for several reasons. Specifically, for:

- 34 taxpayers – technology errors resulted in levies being issued when the taxpayer had not been notified of their CDP rights. Of the 34 taxpayers, there were:
  - [REDACTED] - the ICS did not block the levy despite the previous CDP levy notice being reversed and not reissued.<sup>24</sup> This issue was also reported in prior TIGTA reviews.<sup>25</sup> IRS management informed us that a programming fix was implemented on September 18, 2023. As a result, we will not be making an additional recommendation to address this issue but will continue to check for this issue in future mandatory levy audits to ensure that the programming fix is working as intended.
  - [REDACTED]
- 20 taxpayers – revenue officer errors resulted in levies being issued when the taxpayer had not been notified of their CDP rights. Of the 20 taxpayers, there were:
  - 16 taxpayers - at the time of the levy, the module was not in Field Collection status. The revenue officers created these tax modules manually. When this occurs, it is the revenue officer's responsibility to review Integrated Data Retrieval System transactions to ensure that the pre-levy requirements are met. This was addressed in prior TIGTA reviews. In response, the IRS implemented a programming change in January 2022 to display a warning message alerting the employee to verify that a manually created module has received the proper CDP levy notice. However, these errors continue to occur.
  - [REDACTED]
  - [REDACTED]
  - [REDACTED]

If taxpayers are not provided with a CDP levy notice prior to being levied, then they may not know that they can request a CDP hearing, resulting in taxpayer rights violations. After reviewing the accounts of impacted taxpayers, we identified seven taxpayers with erroneous levy payments, totaling \$52,525.

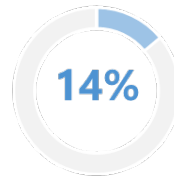
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<sup>24</sup> Of the [REDACTED], five also had violations related to additional assessments, described later in this report. The related proceeds are only included within this heading section.

<sup>25</sup> TIGTA, Report No. 2021-30-069, *Fiscal Year 2021 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* p. 15 (Sept. 2021).

## Some taxpayers with ICS systemic levies were not timely notified of their CDP rights

Of the 29 taxpayers whose rights were violated when they were not timely notified of their CDP rights, IRS management agreed that all were taxpayer rights violations.



Of the violations identified, 29 taxpayers were **not timely notified of their CDP rights**.

According to IRS management, these violations occurred for several reasons. Specifically, for:

- 21 taxpayers – revenue officer errors resulted in levies being issued before the end of the 30-day notice period. Of the 21 taxpayers, there were:
  - [REDACTED] - at the time of the levy, the module was not in Field Collection status. The revenue officers created these tax modules manually. When this occurs, it is the revenue officer's responsibility to review Integrated Data Retrieval System transactions to ensure that the pre-levy requirements are met. This was addressed in prior TIGTA reviews. In response, the IRS implemented a programming change in January 2022 to display a warning message alerting the employee to verify that a manually created module has received the proper CDP levy notice. However, these errors continue to occur.
  - [REDACTED]
  - [REDACTED]<sup>26</sup> This issue resulted from errors in the Print to CPS function, which was reported in a prior TIGTA review.<sup>27</sup> In last year's review, we recommended that the IRS develop a quality review plan for the restart of the Print to CPS pilot program. They agreed and will prepare the plan prior to restarting the program. Therefore, we will not be making an additional recommendation in this year's review.
- 8 taxpayers – technology errors resulted in levies being issued before the end of the 30-day notice period. Of the eight taxpayers, there were:
  - [REDACTED] - the ICS did not block the issuance of the levy despite the previous CDP levy notice being reversed and not reissued. This issue was also reported in prior TIGTA reviews. IRS management informed us that a programming fix was implemented on September 18, 2023. As a result, we will not be making an additional recommendation to address this issue but will continue to check for

<sup>26</sup> The CPS is an automated bulk processing facility which uses technology to efficiently support the full range of bulk correspondence mailing needs for the IRS. The CPS provides the full range of first-class volume and repetitive business correspondence mailing services to taxpayers. The CPS also provides other communications services for the IRS. The ICS batches Letters 1058 daily and CPS sites receive them the next business day for printing and mailing. This new option frees up ICS users from the burden of printing the Letter 1058, completing the certified mail receipt card, stuffing and mailing envelopes, and updating the appropriate transaction codes.

<sup>27</sup> TIGTA, Report No. 2023-30-066, *Fiscal Year 2023 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* p. 16 (Sept. 2023).

this issue in future mandatory levy audits to ensure that the programming fix is working as intended.

○ [REDACTED]

A taxpayer's rights are violated if they are not provided timely notification of their right to request a CDP hearing. After reviewing the accounts of impacted taxpayers, we identified [REDACTED]

### Some taxpayers with ICS systemic levies were not notified of their CDP rights when additional tax assessments were made

Of the 23 taxpayers with ICS systemic levies in which an additional tax assessment posted, and a new CDP levy notice was not issued prior to the levy, IRS management agreed that all cases were taxpayer rights violations.<sup>28</sup> According to IRS management, these violations occurred for several reasons. Specifically, for:



Of the violations identified, 23 taxpayers did not receive a new CDP levy notice after an additional tax assessment was made.

- 18 taxpayers – revenue officer errors resulted in levies being issued when an additional assessment posted, and a new CDP levy notice had not been issued. Of the 18 taxpayers, there were:
  - [REDACTED] - at the time of the levy, the module was not in Field Collection status. The revenue officers created these tax modules manually. When this occurs, it is the revenue officer's responsibility to review Integrated Data Retrieval System transactions to ensure that the pre-levy requirements are met. This was addressed in prior TIGTA reviews. In response, the IRS implemented a programming change in January 2022 to display a warning message alerting the employee to verify that a manually created module has received the proper CDP levy notice. However, these errors continue to occur.
  - [REDACTED]
- 5 taxpayers – the ICS did not block the levy despite the previous CDP notice being reversed and not reissued. This issue was also reported prior TIGTA reviews for other types of exceptions. IRS management informed us that a programming fix was implemented on September 18, 2023. As a result, we will not be making an additional recommendation to address this issue but will continue to check for this issue in future mandatory levy audits to ensure that the programming fix is working as intended.

<sup>28</sup> Of the 23 taxpayers, five also had violations related to not receiving a notice, described earlier in this report. The related proceeds are only included within the previous heading section.

If taxpayers are not provided with a new CDP levy notice for additional assessments prior to being levied, then they may not know that they can request a CDP hearing, resulting in taxpayer rights violations. After reviewing the accounts of impacted taxpayers, we identified six taxpayers with erroneous levy payments, totaling \$10,814.

**Recommendation 1:** The Director, Collection Policy, SB/SE Division, should revise the Internal Revenue Manual (IRM) to require revenue officers to check their mail and faxes for any CDP levy hearing requests prior to issuing levies.

**Management's Response:** IRS management agreed with this recommendation and plans to update IRMs 5.11.1 and 5.11.2 to require revenue officers to check their mail or faxes for any pending CDP levy hearing requests, prior to issuing levies.

**Recommendation 2:** The Director, Field Collection, SB/SE Division, should ensure that the following instances identified in this report are discussed with responsible employees and their managers so that they understand the difference and can protect taxpayer's rights: instances associated with CDP hearings being input as equivalent hearings; instances associated with cases being transferred to a new revenue officer before the prior revenue officer had processed a timely CDP levy hearing request; instances associated with new employees and CDP hearings; instances associated with revenue officers improperly processing ICS systemic levies as other, incorrect types of levies; and instances associated with taxpayers not receiving or not timely receiving their CDP rights due to various revenue officer errors.

**Management's Response:** IRS management agreed with this recommendation and plans to discuss with the responsible employees and their managers the instances identified in the recommendation so they understand the difference and can protect taxpayer's rights.

**Recommendation 3:** The Director, Collection Inventory and Delivery and Selection, SB/SE Division, should implement a programming fix to ensure that the ICS does not allow levies to be issued on Business Master File taxpayers who have an open CDP levy hearing.

**Management's Response:** IRS management agreed with this recommendation and plans to implement a programming fix to ensure that the ICS prevents levy issuance on Business Master File taxpayers who have an open CDP levy hearing, regardless of the taxpayer type within the ICS CDP application.

**Recommendation 4:** The Director, Collection Policy, SB/SE Division, should provide training to remind revenue officers that for manually created balance due modules within the ICS, they must manually verify the CDP levy notice was timely issued and that the modules are not part of an open CDP hearing prior to levy. In addition, revise the IRM to require that revenue officers document the ICS history with confirmation that required notices were provided prior to issuing a levy on a manually created balance due module.

**Management's Response:** IRS management agreed with this recommendation and plans to ensure that a manual levy workshop is rolled out to Field Collection employees. The IRS also plans to update IRM 5.11.2 to require that revenue officers document the ICS history with confirmation that required notices were provided prior to issuing a levy on a manually created balance due module.



**Recommendation 5:** The Director, Collection Inventory and Delivery and Selection, SB/SE Division, should submit programming maintenance fix requests to ensure that: (1) the ICS does not allow modules to be included on a levy unless a CDP levy notice has been issued, even if both the notice generation tool and the levy generation tool are open at the same time and (2) the ICS systemic levy check does not allow levies to be sent until 31 days after the CDP levy notice date rather than 30 days.

**Management's Response:** IRS management agreed with this recommendation and plans to implement a maintenance fix to ensure that the ICS prevents levy issuance until 31 days after the notice date. In July 2024, the IRS implemented a maintenance fix to ensure that the ICS prevents levy issuance on a module unless the module was included on an appropriate notice.

**Recommendation 6:** The Director, Field Collection, SB/SE Division, should ensure that the taxpayers who were not given the opportunity for a CDP hearing are given their CDP rights, if appropriate; and obtain authorization to retain any improper levy proceeds or refund the proceeds to the taxpayer.

**Management's Response:** IRS management agreed with this recommendation and plans to provide CDP rights to taxpayers who were not given the opportunity for a CDP hearing, if appropriate. The IRS also plans to issue manual refunds or obtain authorization to retain funds secured where applicable.

## **Manual Levies Issued by Field Collection Did Not Always Comply With Legal Requirements**

According to the IRS, revenue officers issued an estimated 2,546 manual levies from July 1, 2022, through June 30, 2023. However, because details of these levies are not tracked by the IRS, such as which taxpayers these levies were issued on, we were unable to identify this population. Therefore, through research of ICS history files, we identified and reviewed 30 ICS manual levies issued from July 1, 2022, through June 30, 2023.

IRS management stated that these violations were due to employee errors. Revenue officers can request a levy outside of the ICS using a paper form, which is a manual levy. These levies have the same CDP requirements that are to provide the taxpayer a CDP levy notice at least 30 days prior to a levy and to provide a new CDP levy notice after an additional assessment occurs on a balance due that will be included in a levy. However, the controls present on the ICS will not prevent a manual levy from being issued if the CDP levy notice has not been sent. Therefore, the revenue officer must perform research to prevent violating taxpayer CDP rights. In addition, managerial review or approval is generally not required when revenue officers issue manual levies.

We identified similar issues in our FYs 2020, 2021, and 2023 reports. In FY 2020, the IRS took corrective action by updating the relevant IRM with specific information on preparing a manual levy and issued a memorandum in February 2021 to revenue officers that included specific information on preparing manual levies. In FY 2023, the IRS stated that it would explore the



feasibility of developing a tool that would provide a “real-time” check of non-ICS modules for revenue officers to use prior to including the modules on manual Notices of Levy. IRS management also stated that they anticipate having a decision by October 2024. IRS Collection Policy agreed to develop a manual levy workshop; however, this is still in process as of June 2024. Therefore, we will not be making an additional recommendation in this year’s review.

After reviewing the accounts of impacted taxpayers, none had erroneous levy payments. Although the IRS took corrective action to remind revenue officers of the manual levy requirements, we continue to see a consistent number of issues in this area. Without a way to track the population of these manual levies, it is difficult to know how widespread the issue is. In addition, there are no internal controls or safeguards in place to determine whether the revenue officer followed the IRM procedures prior to issuing the levy.<sup>29</sup> With improved internal controls requiring managerial approval, we believe this would reduce the risk of a manual levy being issued erroneously and as a result minimize the potential harm to taxpayers; however, the IRS disagreed with our FY 2023 report recommendation.

### **Some Unauthorized Representatives Received Copies of Collection Due Process Levy Notices**

Our analysis of the population of 48,535 taxpayers with Field Collection levies issued during July 1, 2022, through June 30, 2023, identified 8,748 taxpayers with an open Power of Attorney authorization to whom the IRS sent a CDP levy notice to the taxpayer between March 31, 2022, and December 31, 2023. We selected a random sample of 100 taxpayer cases and determined that five taxpayers’ rights were potentially violated when the IRS sent a copy of the notice to a representative who was not authorized to receive it. Further, 15 taxpayers were potentially burdened when a copy of the CDP levy notice was not mailed to the authorized representative as required.

Treasury Regulations and IRS policies require that any notices which are required or permitted to be given to a taxpayer in any matter before the IRS must be given to the taxpayer and, unless restricted by the taxpayer, to the taxpayer’s representative.<sup>30</sup> Simultaneously, the I.R.C. stipulates that return and return information shall be confidential.

### **Some taxpayers’ rights were potentially violated when a CDP levy notice was sent to a representative who was not authorized**

There were five taxpayers whose rights were potentially violated when the IRS sent a copy of the CDP levy notice to a representative who was not authorized to receive it. Based on the population of 8,748 taxpayers and using a 5 percent error rate, a  $\pm 4.8$  percent precision, and a two-sided 95 percent confidence interval, we estimate that 437 taxpayers had their rights potentially violated because of these errors.<sup>31</sup>

IRS management stated that these violations occurred for several reasons. Specifically, for:

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<sup>29</sup> IRM 5.11.2.2.2.1 (Mar. 3, 2021).

<sup>30</sup> 26 C.F.R. 601.506; IRM 5.1.23.4.2.3 (Dec. 26, 2019).

<sup>31</sup> When projecting the results of our statistical sample, we are 95 percent confident that the actual total number of violations is between 145 and 983. See Appendix II for more details on how the projection was calculated.

- [REDACTED] – revenue officer errors resulted in CDP levy notices being sent to representatives who were not authorized to receive them. Of these taxpayers, there were:
  - [REDACTED]
  - [REDACTED]
- [REDACTED] IRS management could not determine any clear reason [REDACTED]

A violation of I.R.C. § 6103 occurs when taxpayer representatives are sent CDP levy notices without authorization.<sup>32</sup> The code section states that returns and return information will be confidential. If return information, such as CDP levy notices, is improperly sent to a representative then that taxpayer's confidentiality has been violated.

### **Some taxpayers were burdened when their authorized representatives did not receive CDP levy notices**

There were 15 taxpayers who were potentially burdened because the IRS did not mail a copy of the CDP levy notice to the authorized representative as required, and the taxpayers were not notified that the representative did not receive the CDP levy notice. Based on the population of 8,748 taxpayers and using a 15 percent error rate, a  $\pm 7.4$  percent precision, and a two-sided 95 percent confidence interval, we estimate that 1,312 taxpayers were potentially burdened.<sup>33</sup>

IRS management stated that these procedural errors occurred for several reasons. Specifically, for:

- Nine taxpayers - the notice was not sent because the representative was not authorized for all the periods listed on the notice. IRS management did not agree with seven of these nine errors. However, in this situation, the taxpayer should be sent a Letter 5427, *Incomplete Power of Attorney*, to notify them that their authorized representative was not sent a copy of the CDP levy notice or other correspondence.<sup>34</sup> There was no indication that this letter was sent to these taxpayers.
  - IRS management informed us that a programming update was implemented in January 2024 to systemically generate the letter when the power of attorney does not cover all tax periods. As a result, we will not be making an additional recommendation to address this issue but will continue to check for this issue in future reviews to ensure that the programming update is working as intended.
- Six taxpayers – at the time of the levy, the module was not in Field Collection status. The revenue officers created these tax modules manually. When this occurs, it is the revenue officer's responsibility to review Integrated Data Retrieval System transactions to ensure

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<sup>32</sup> I.R.C. § 6103.

<sup>33</sup> When projecting the results of our statistical sample, we are 95 percent confident that the actual total number of violations is between 760 and 2,054. See Appendix II for more details on how the projection was calculated.

<sup>34</sup> IRM 5.1.23.4.2.3 (Dec. 26, 2019).

that the pre-levy requirements are met, such as sending a CDP levy notice to the taxpayer's authorized representative. Had the revenue officer reviewed the transactions as required, this would not have occurred. IRS management responded that a programming fix was implemented in January 2024 so that the system will look for the authorized representative information for these manual modules. As a result, we will not be making an additional recommendation to address this issue but will continue to check for this issue in future reviews to ensure that the programming update is working as intended.

In our FY 2022 review, we recommended that the IRS should ensure that corrective programming is implemented so that the ICS looks for existing authorized representative information, updates the system accordingly, and notifies the revenue officer when there is a discrepancy between authorized representative information in the ICS and the Centralized Authorization File. The IRS agreed with this recommendation. IRS management informed us that a programming change was implemented in January 2024.

Taxpayers may experience adverse consequences if their authorized representatives do not receive copies of CDP levy notices, such as:

- Direct and indirect economic consequences from IRS levies that may not have occurred otherwise if the authorized representative received the notice and requested the CDP hearing.
- Loss of appeal rights to the U.S. Tax Court.

In the words of the National Taxpayer Advocate, "...a representative cannot advocate for a taxpayer as requested or provide representation in the taxpayer's absence as intended by Congress, unless the representative receives IRS notices. Especially in the context of CDP hearings, where the taxpayer has only 30 days to request the hearing and protect the right to challenge collection actions in the U.S. Tax Court, failure to provide the taxpayer's representative with a copy of the hearing notice can severely impede the taxpayer's access to fundamental statutory protections."<sup>35</sup> The Fair Tax Collection Practices, established in the IRS Restructuring and Reform Act of 1998, prohibit the IRS from communicating with a taxpayer in connection with the collection of any unpaid tax, if it knows that the taxpayer is represented by a valid power of attorney, without the prior consent of the taxpayer, or unless other conditions are met.<sup>36</sup>

**Recommendation 7:** The Director, Field Collection, SB/SE Division, should ensure that the instances identified in this report that are associated with unauthorized representatives receiving CDP levy notices due to various revenue officer errors are discussed with the responsible employees and their managers so that they can protect taxpayer's rights and prevent unauthorized disclosures. These employee's managers should consider the failure to observe written regulations, orders, rules, or procedures that result in the violation of improper disclosure of tax return information when evaluating employees' performance or for misconduct if such action on the part of the employee is intentional.

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<sup>35</sup> National Taxpayer Advocate, 2012 Annual Report to Congress 292 (2012).

<sup>36</sup> Pub. L. No. 105-206, 112 Stat. 685; I.R.C. § 6304(a)(2).

**Management's Response:** IRS management agreed with this recommendation and plans to discuss with the responsible employees and their managers the instances identified in the report associated with unauthorized representatives to protect taxpayer rights and prevent future unauthorized disclosures.

**Recommendation 8:** The Director, Collection Policy, SB/SE Division, should determine the cause of the technology error that allowed CDP levy notices to be sent to unauthorized representatives and consider if a programming change is needed to prevent this error from recurring.

**Management's Response:** IRS management agreed with this recommendation and plans to investigate the cause of the error that resulted in missing information allowing CDP notices to be sent to representatives who were not authorized to receive them and consider if a programming change is needed to prevent this error from recurring.

**Recommendation 9:** The Director, Field Collection, SB/SE Division, should ensure that for the instances identified in this report that are associated with representatives not receiving CDP levy notices when they were authorized, a Letter 5427 is sent to the taxpayer notifying them that their representative is not receiving notices, if appropriate.

**Management's Response:** IRS management agreed with this recommendation and plans to send a Letter 5427, where appropriate, to the 15 taxpayers identified in this report to notify them that their representative is not receiving notices.

## Appendix I

### Detailed Objective, Scope, and Methodology

The overall objective was to determine whether the IRS complied with the IRS Restructuring and Reform Act of 1998 requirements and IRS policy to notify taxpayers and their authorized representatives of the right to a CDP hearing prior to issuing levies and to suspend levy action during the time frames required pursuant to I.R.C. § 6330. To accomplish our objective, we:

- Evaluated the adequacy of controls, requirements, and processes for issuing levies as per I.R.C. § 6330.
- Determined whether controls for ICS systemic levies issued by revenue officers were adequate to comply with legal and procedural guidelines for notification to taxpayers prior to levy issuance.
- Determined whether controls for manual ICS levies issued by revenue officers were adequate to comply with legal and procedural guidelines for notification to taxpayers prior to levy issuance.
- Reviewed 30 manual ICS levies issued by revenue officers outside of the ICS during the period July 1, 2022, through June 30, 2023. The IRS does not track the individual manual ICS levies and therefore cannot identify the exact population. We used a macro created by TIGTA's Applied Research and Technology group to mine the data in the ICS histories for text references to manual levies. We reviewed the results to identify potential ICS manual levies based on the ICS history. We sent 116 potential manual levies to IRS management for concurrence and to obtain copies of the Notice of Levy. IRS management confirmed and provided copies of the Notice of Levy for 30 manual levies issued by revenue officers.
- Determined whether controls for levies issued for taxpayers with authorized representatives were adequate to comply with procedural guidelines for notification to authorized representatives prior to levy issuance.
- Identified potential error cases in which taxpayers' rights may have been violated because the IRS issued a CDP levy notice copy to a representative who was not authorized to receive it. From the population of 8,748 taxpayers with an open Power of Attorney authorization to whom the IRS sent a CDP levy notice to the taxpayer between March 31, 2022, and December 31, 2023, we reviewed a random sample of 100 total taxpayer cases. We used a random sample to ensure that each account had an equal chance of being selected, which enabled us to obtain sufficient evidence to support our results. We used a 5 percent error rate,  $\pm 4.8$  percent precision, and a two-sided 95 percent confidence interval to estimate the number of violations in the population. Our contracted statistician assisted with developing the projections. See Appendix II for details.
- Identified potential error cases in which taxpayers may have been burdened because the IRS did not issue a CDP levy notice copy to their representative who was authorized to receive it and did not notify the taxpayer that the representative did not receive the notice. From the population of 8,748 taxpayers with an open Power of Attorney

authorization to whom the IRS sent a CDP levy notice to the taxpayer between March 31, 2022, and December 31, 2023, we reviewed a random sample of 100 total taxpayer cases. We used a random sample to ensure that each account had an equal chance of being selected, which enabled us to obtain sufficient evidence to support our results. We used a 15 percent error rate, a  $\pm 7.4$  percent precision, and a two-sided 95 percent confidence interval to estimate the number of violations in the population. Our contracted statistician assisted with developing the projections. See Appendix II for details.

## **Performance of This Review**

This review was performed with information obtained from the SB/SE Division National Headquarters Collection function located in New Carrollton, Maryland, during the period of December 2023 through July 2024. We conducted 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 Phyllis Heald London, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations); Frank O'Connor, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations); Michele Jahn, Acting Director; Autumn Macik, Audit Manager; My-Nga Diep, Lead Auditor; Eileen Lee, Auditor; and Lance Welling, Information Technology Specialist (Data Analytics).

## **Data Validation Methodology**

We performed tests to assess the reliability of data obtained from the ICS, Individual Master File, and Business Master File systems. We evaluated the data by (1) performing electronic testing of required data elements and (2) reviewing existing information about the data and the system that produced them. We determined that the data were sufficiently reliable for the purposes of this report.

## **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: SB/SE Division Collection function's automated controls in place to prevent the issuance of levies prior to 30 calendar days before initiating any levy action, to prevent levy enforcement actions being taken on taxpayers that request CDP levy hearings, to prevent CDP levy notices being issued to representatives who are not authorized, and to ensure that CDP levy notices are issued to representatives who are authorized. We evaluated these controls by reviewing populations and samples of taxpayer levies and CDP levy hearings.

## 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 Rights and Entitlements – Potential; 208 taxpayers whose CDP rights were violated when ICS systemic levies were issued by Field Collection (see Recommendations 1 through 6).

#### **Methodology Used to Measure the Reported Benefit:**

From a population of 48,535 taxpayers with ICS systemic levies issued during the period July 1, 2022, through June 30, 2023, we identified:

- 107 taxpayers that were issued a levy while the taxpayer had a pending CDP levy hearing.
- 54 taxpayers for which the IRS did not issue the CDP levy notice before issuing the levy.
- 29 taxpayers for which the IRS did not timely issue the CDP levy notice before issuing the levy.
- 18 taxpayers for which the IRS did not issue a new CDP levy notice after the additional tax assessment.<sup>1</sup>

#### **Type and Value of Outcome Measure:**

- Taxpayer Rights and Entitlements – Potential; 437 taxpayers for which the IRS issued a CDP levy notice copy to a representative who was not authorized to receive it (see Recommendations 7 and 8).

#### **Methodology Used to Measure the Reported Benefit:**

From a population of 48,535 taxpayers with levies issued by revenue officers through the ICS during the period July 1, 2022, through June 30, 2023, we identified 8,748 taxpayers with an open Power of Attorney authorization to whom the IRS sent a CDP levy notice to the taxpayer between March 31, 2022, and December 31, 2023.

We used the TIGTA contract statistician to assist with calculating projections, and projected the mutually agreed-upon violations to the potential violation populations as follows:

We reviewed a random sample of 100 of the 8,748 potential taxpayer cases. We determined that there were five potential violations whereby a CDP levy notice copy was issued to a representative who was not authorized to receive it. Based on the population of five potential violations, using a 5 percent error rate, a  $\pm 4.8$  percent precision, and a

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<sup>1</sup> We identified 23 taxpayers that did not receive a new CDP levy notice after an additional assessment was made, however, five of these taxpayers also had violations related to not receiving a notice before levy issuance.



two-sided 95 percent confidence interval, we estimate that 437 taxpayers' rights were potentially violated because the IRS issued a CDP levy notice copy to a representative who was not authorized to receive it.<sup>2</sup>

### **Type and Value of Outcome Measure:**

- Taxpayer Burden – Potential; 1,312 taxpayers for which the IRS did not issue a CDP levy notice copy to the authorized representative or notify the taxpayer that their authorized representative did not receive the CDP levy notice copy (see Recommendation 9).

### **Methodology Used to Measure the Reported Benefit:**

From a population of 48,535 taxpayers with levies issued by revenue officers through the ICS during the period July 1, 2022, through June 30, 2023, we identified 8,748 taxpayers with an open Power of Attorney authorization to whom the IRS sent a CDP levy notice to the taxpayer between March 31, 2022, and December 31, 2023.

Using the TIGTA contract statistician to assist with calculating projections, we projected the mutually agreed-upon violations to the potential violation populations as follows:

We reviewed a random sample of 100 of the 8,748 potential taxpayer cases. We determined that there were 15 potential violations whereby a CDP levy notice copy was not issued to the authorized representative, and the taxpayer was not notified that the authorized representative did not receive the CDP levy notice copy. Based on the population of 15 potential errors, using a 15 percent error rate, a  $\pm 7.4$  percent precision, and a two-sided 95 percent confidence interval, we estimate that 1,312 taxpayers were potentially burdened because the IRS did not issue a CDP levy notice copy to the authorized representative.<sup>3</sup>

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<sup>2</sup> When projecting the results of our statistical sample, we are 95 percent confident that the actual total number of violations is between 145 and 983.

<sup>3</sup> When projecting the results of our statistical sample, we are 95 percent confident that the actual total number of violations is between 760 and 2,054.



## Appendix III

Form 668-A, Notice of Levy

Form <b>668-A</b> (September 2022)	Department of the Treasury - Internal Revenue Service <b>Notice of Levy</b>			
Date	Telephone number of IRS office			
Reply to	Name and address of taxpayer			
To	Identifying number(s)			
Special instructions for certain property levied				
This isn't a bill for taxes you owe. This is a notice of levy we are using to collect money owed by the taxpayer named above.				
Kind of Tax	Tax Period Ended	Unpaid Balance of Assessment	Statutory Additions	Total
Total Amount Due				
We figured the interest and late payment penalty to _____				
<p>The Internal Revenue Code provides that there is a lien for the amount that is owed. Although we have given the notice and demand required by the Code, the amount owed hasn't been paid. This levy requires you to turn over to us this person's property and rights to property (<i>such as money, credits, and bank deposits</i>) that you have or which you are already obligated to pay this person. However, don't send us more than the "Total Amount Due."</p> <p>Money in banks, credit unions, savings and loans, and similar institutions described in section 408(n) of the Internal Revenue Code <u>must be held for 21 calendar days</u> from the day you receive this levy before you send us the money. Include any interest the person earns during the 21 days. Turn over any other money, property, credits, etc. that you have or are already obligated to pay the taxpayer, when you would have paid it if this person asked for payment. This levy does not attach to funds in IRAs, Self-Employed Individuals' Retirement Plans, or any other retirement plans in your possession or control.</p> <p>Make a reasonable effort to identify all property and rights to property belonging to this person. At a minimum, search your records using the taxpayer's name, address, and identifying numbers(s) shown on this form. Don't offset money this person owes you without contacting us at the telephone number shown above for instructions. You may not subtract a processing fee from the amount you send us.</p>				
<p><b>To respond to this levy —</b></p> <ol style="list-style-type: none"> <li>1. Make your check or money order payable to <b>United States Treasury</b>.</li> <li>2. Write the taxpayer's name, identifying number(s), kind of tax and tax period shown on this form, and "LEVY PROCEEDS" on your check or money order (<i>not on a detachable stub</i>).</li> <li>3. Complete the back of Part 3 of this form and mail it to us with your payment in the enclosed envelope.</li> <li>4. Keep Part 1 of this form for your records and give the taxpayer Part 2 within 2 days.</li> </ol> <p>If you don't owe any money to the taxpayer, please complete the back of Part 3, and mail that part back to us in the enclosed envelope.</p>				
Signature of Service Representative			Title	

## Appendix IV

### Management's Response to the Draft Report



COMMISSIONER  
SMALL BUSINESS/SELF-EMPLOYED DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, DC 20224

September 5, 2024

MEMORANDUM FOR DANNY R. VERNEUILLE  
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Lia Colbert, Commissioner, Small Business/Self-Employed Division  
Amalia C. Colbert  
Digitally signed by Amalia C. Colbert  
Date: 2024.09.05 16:58:53 -04'00'

SUBJECT: Draft Audit Report – Fiscal Year 2024 Statutory Review of Compliance With Legal Guidelines When Issuing Levies (Audit No.: 2024300003)

Thank you for the opportunity to review and comment on the subject draft audit report, which evaluates whether the IRS complied with the statutory requirement to notify taxpayers and their authorized representatives of the right to a Collection Due Process (CDP) hearing prior to issuing levies and to suspend levy action as required by Internal Revenue Code (IRC) § 6330. We are committed to helping taxpayers meet their tax responsibilities while respecting and protecting their rights, including their statutory right to a CDP hearing. We appreciate your recognition that we complied with legal and administrative requirements in 99.5 percent of systemic levies issued during the period of July 1, 2022, through June 30, 2023.

In your report, you make several recommendations to further safeguard taxpayer rights in systemic levy processes through programming changes. We agree to these recommendations and initiated changes prior to your final report. These changes are on track to be implemented as explained in the attachment pending program testing.

Your report states that some taxpayer representatives were not provided copies of CDP levy notices. In most of the instances identified, the representative was not authorized for all the periods listed on the notice. To better inform taxpayers and their authorized representatives, we implemented programming in January 2024 which systemically generates a Letter 5427, *Incomplete Power of Attorney*, when appropriate.

We are committed to fairly and effectively collecting taxes owed through all means allowed by IRC § 6330. We will continue to find ways to improve our levy processes to ensure that the rights of taxpayers are protected, and we value your insights and recommendations.

Attached are our comments and proposed actions to your recommendations. If you have any questions, please contact me, or Frederick W. Schindler, Director, Collection, Small Business/Self-Employed Division.

Attachment

**RECOMMENDATION 1:**

The Director, Collection Policy, SB/SE Division, should revise the Internal Revenue Manual (IRM) to require revenue officers to check their mail and faxes for any CDP levy hearing requests prior to issuing levies.

**CORRECTIVE ACTION:**

We agree to update IRM 5.11.1 and 5.11.2 to require revenue officers to check their mail or faxes for any pending CDP levy hearing requests, prior to issuing levies.

**IMPLEMENTATION DATE:**

March 15, 2025

**RESPONSIBLE OFFICIAL:**

Director, Collection Policy, Small Business/Self-Employed Division

**CORRECTIVE ACTION MONITORING PLAN:**

We will monitor this corrective action as part of our internal management system of controls.

**RECOMMENDATION 2:**

The Director, Field Collection, SB/SE Division, should ensure that the following instances identified in this report are discussed with responsible employees and their managers so that they understand the difference and can protect taxpayer's rights: instances associated with CDP hearings being input as equivalent hearings; instances associated with cases being transferred to a new revenue officer before the prior revenue officer had processed a timely CDP levy hearing request; instances associated with new employees and CDP hearings; instances associated with revenue officers improperly processing ICS systemic levies as other, incorrect types of levies; and instances associated with taxpayers not receiving or not timely receiving their CDP rights due to various revenue officer errors.

**CORRECTIVE ACTION:**

We agree to discuss with the responsible employees and their managers the instances identified in your recommendation so they understand the difference and can protect taxpayer's rights.

**IMPLEMENTATION DATE:**

May 15, 2025

**RESPONSIBLE OFFICIAL:**

Director, Field Collection, Small Business/Self-Employed Division

**CORRECTIVE ACTION MONITORING PLAN:**

We will monitor this corrective action as part of our internal management system of controls.

**RECOMMENDATION 3:**

The Director, Collection Inventory, Delivery, and Selection, SB/SE Division, should implement a programming fix to ensure that the ICS does not allow levies to be issued on Business Master File taxpayers who have an open CDP levy hearing.

**CORRECTIVE ACTION:**

We agree to implement a programming fix to ensure that Integrated Collection System (ICS) prevents levy issuance on Business Master File taxpayers who have an open CDP levy hearing, regardless of the Taxpayer Type within the ICS CDP application.

**IMPLEMENTATION DATE:**

February 15, 2025

**RESPONSIBLE OFFICIAL:**

Director, Collection Inventory, Delivery, and Selection, Small Business/Self-Employed Division

**CORRECTIVE ACTION MONITORING PLAN:**

We will monitor this corrective action as part of our internal management system of controls.

**RECOMMENDATION 4:**

The Director, Collection Policy, SB/SE Division, should provide training to remind revenue officers that for manually created balance due modules within the ICS, they must manually verify the CDP levy notice was timely issued and that the modules are not part of an open CDP hearing prior to levy. In addition, revise the IRM to require that revenue officers document the ICS history with confirmation that required notices were provided prior to issuing a levy on a manually created balance due module.

**CORRECTIVE ACTION:**

We agree to ensure that a manual levy workshop is rolled out to Field Collection employees. We will also update IRM 5.11.2 to require that revenue officers document the ICS history with confirmation that required notices were provided prior to issuing a levy on a manually created balance due module.

**IMPLEMENTATION DATE:**

March 15, 2025

**RESPONSIBLE OFFICIAL:**

Director, Collection Policy, Small Business/Self-Employed Division

**CORRECTIVE ACTION MONITORING PLAN:**

We will monitor this corrective action as part of our internal management system of controls.

**RECOMMENDATION 5:**

The Director, Collection Inventory, Delivery, and Selection, SB/SE Division, should submit programming maintenance fix requests to ensure that: (1) the ICS does not allow modules to be included on a levy unless a CDP levy notice has been issued, even if both the notice generation tool and the levy generation tool are open at the same time and (2) the ICS systemic levy check does not allow levies to be sent until 31 days after the CDP levy notice date rather than 30 days.

**CORRECTIVE ACTION:**

We agree to implement a maintenance fix to ensure that ICS prevents levy issuance until 31 days after the notice date. In July 2024, we implemented a maintenance fix to ensure that ICS prevents levy issuance on a module unless the module was included on an appropriate notice.

**IMPLEMENTATION DATE:**

October 15, 2025

**RESPONSIBLE OFFICIAL:**

Director, Collection Inventory Delivery and Selection, Small Business/Self-Employed Division

**CORRECTIVE ACTION MONITORING PLAN:**

We will monitor this corrective action as part of our internal management system of controls.

**RECOMMENDATION 6:**

The Director, Field Collection, SB/SE Division, should ensure that the taxpayers who were not given the opportunity for a CDP hearing are given their CDP rights, if appropriate; and obtain authorization to retain any improper levy proceeds or refund the proceeds to the taxpayer.



**CORRECTIVE ACTION:**

We agree to provide CDP rights to taxpayers who were not given the opportunity for a CDP hearing, if appropriate. We will also issue manual refunds or obtain authorization to retain funds secured where applicable.

**IMPLEMENTATION DATE:**

October 15, 2025

**RESPONSIBLE OFFICIAL:**

Director, Field Collection, Small Business/Self-Employed Division

**CORRECTIVE ACTION MONITORING PLAN:**

We will monitor this corrective action as part of our internal management system of controls.

**RECOMMENDATION 7:**

The Director, Field Collection, SB/SE Division, should ensure that the instances identified in this report that are associated with unauthorized representatives receiving CDP levy notices due to various revenue officer errors are discussed with the responsible employees and their managers so that they can protect taxpayer's rights and prevent unauthorized disclosures. These employee's managers should consider the failure to observe written regulations, orders, rules, or procedures that result in the violation of improper disclosure of tax return information when evaluating employees' performance or for misconduct if such action on the part of the employee is intentional.

**CORRECTIVE ACTION:**

We agree to discuss with the responsible employees and their managers the instances identified in the report associated with unauthorized representatives to protect taxpayer rights and prevent future unauthorized disclosures.

**IMPLEMENTATION DATE:**

June 15, 2025

**RESPONSIBLE OFFICIAL:**

Director, Field Collection, Small Business/Self-Employed Division

**CORRECTIVE ACTION MONITORING PLAN:**

We will monitor this corrective action as part of our internal management system of controls.

**RECOMMENDATION 8:**

The Director, Collection Policy, SB/SE Division, should determine the cause of the technology error that allowed CDP levy notices to be sent to unauthorized representatives and consider if a programming change is needed to prevent this error from recurring.

**CORRECTIVE ACTION:**

We agree to investigate the cause of the error that resulted in missing information allowing CDP notices to be sent to representatives who were not authorized to receive them and consider if a programming change is needed to prevent this error from recurring.

**IMPLEMENTATION DATE:**

November 15, 2024

**RESPONSIBLE OFFICIAL:**

Director, Collection Policy, Small Business/Self-Employed Division

**CORRECTIVE ACTION MONITORING PLAN:**

We will monitor this corrective action as part of our internal management system of controls.

**RECOMMENDATION 9:**

The Director, Field Collection, SB/SE Division, should ensure that for the instances identified in this report that are associated with representatives not receiving CDP levy notices when they were authorized, a Letter 5427 is sent to the taxpayer notifying them that their representative is not receiving notices, if appropriate.

**CORRECTIVE ACTION:**

We agree to send a Letter 5427, where appropriate, to the 15 taxpayers identified in TIGTA's report to notify them that their representative is not receiving notices.

**IMPLEMENTATION DATE:**

April 15, 2025

**RESPONSIBLE OFFICIAL:**

Director, Field Collection, Small Business/Self-Employed Division

**CORRECTIVE ACTION MONITORING PLAN:**

We will monitor this corrective action as part of our internal management system of controls.



## Appendix V

### Glossary of Terms

Term	Definition
Automated Collection System	A legacy system that provides a computerized telephone tax collection system designed to assist Collection employees with automatic contact and follow-up on delinquent taxpayers.
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.
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 DETL, a levy on a Federal contractor, and a levy on State tax refunds. The IRS notifies taxpayers of their CDP rights by issuing a notice explaining their right to request a hearing.
Collection Representative	The duties of a collection representative are varied and include collecting unpaid taxes and securing tax returns from delinquent taxpayers who have not complied with previous notices along with securing, verifying, and updating levy sources and timely issuing notices of tax levy.
Disqualified Employment Tax Levy	A levy served to collect an employment tax liability for taxpayers that previously requested a CDP hearing involving unpaid employment tax that arose in the two-year period before the period for which the levy is served.
Field Collection	The unit in the Area Offices consisting of revenue officers who handle face-to-face contacts with taxpayers to collect delinquent accounts or secure unfiled returns.
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	An information management system designed to improve revenue collection by providing revenue officers with access to the most current taxpayer information while in the field.
Integrated Data Retrieval System	IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.
Internal Revenue Code	The body of law that codifies all Federal tax laws. These laws constitute Title 26 of the United States Code, which is a consolidation and codification by subject matter of the general and permanent laws of the United States.

<b>Term</b>	<b>Definition</b>
Internal Revenue Manual	Primary source of instructions to employees relating to the administration and operation of the IRS. The Manual contains the directions employees need to carry out their operational responsibilities.
Jeopardy Levy	A levy that is issued if collection is in jeopardy. The taxpayer must be offered CDP rights within a reasonable period after the levy if not provided prior to the levy.
Manual Levy	A manual ICS levy is a paper levy form that is manually prepared and issued by a revenue officer. A manual ACS levy is initiated through the system by a collection representative, resulting in levy preparation and issuance by the system.
Module	Refers to one specific tax return filed by the taxpayer for one specific tax period (year or quarter) and type of tax.
Revenue Officer	An employee in the Collection function who provides customer service by explaining taxpayer rights and responsibilities, collects delinquent accounts, secures delinquent returns, counsels taxpayers on their tax filing and payment obligations, conducts tax investigations, files Notices of Federal Tax Lien, releases Federal tax liens, and performs seizures and sales of delinquent taxpayer assets.
Systemic Levy	ACS systemic levies are initiated, prepared, and issued completely by the ACS with no manual intervention necessary. ICS systemic levies are initiated by revenue officers, resulting in levy preparation and issuance by the system.
Tax Period	Each tax return filed by the taxpayer for a specific period (year or quarter) during a calendar year for each type of tax.
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 VI

### Abbreviations

ACS	Automated Collection System
ALP	Automated Levy Program
CDP	Collection Due Process
CPS	Correspondence Production Services
DETL	Disqualified Employment Tax Levy
FY	Fiscal Year
ICS	Integrated Collection System
I.R.C.	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
SB/SE	Small Business/Self-Employed
TIGTA	Treasury Inspector General for Tax Administration



**To report fraud, waste, or abuse,  
contact our hotline on the web at [www.tigta.gov](http://www.tigta.gov) or via e-mail at  
[oi.govreports@tigta.treas.gov](mailto:oi.govreports@tigta.treas.gov).**

**To make suggestions to improve IRS policies, processes, or systems  
affecting taxpayers, contact us at [www.tigta.gov/form/suggestions](http://www.tigta.gov/form/suggestions).**

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