



*Revenue Officer Levies of Social Security
Benefits Indicate That Further Modification
to Procedures Is Warranted*

June 30, 2016

Reference Number: 2016-30-043

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HIGHLIGHTS

REVENUE OFFICER LEVIES OF SOCIAL SECURITY BENEFITS INDICATE THAT FURTHER MODIFICATION TO PROCEDURES IS WARRANTED

Highlights

Final Report issued on June 30, 2016

Highlights of Reference Number: 2016-30-043 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

Social Security benefits are the primary source of income for many older taxpayers. To satisfy tax debts, the IRS may levy Social Security benefits. However, by law, levies that cause economic hardship must be released. In addition, taxpayers have the right to claim an exemption against the levy, which allows them to receive a minimum amount of the Social Security payment and prevent all or part of the levy.

WHY TIGTA DID THE AUDIT

This audit was initiated to determine whether the IRS appropriately applied manual levies to Social Security benefits.

WHAT TIGTA FOUND

Revenue officers make levy determinations of Social Security benefits on a case-by-case basis and exercise judgment in making the determination to levy. While there are special procedures and thresholds for levying individual retirement accounts and 401(k) retirement accounts, there are no special considerations or procedures for revenue officers when levying Social Security benefits. In these cases, revenue officers follow procedures for levying assets in general. In most cases, revenue officers are compliant with these general IRS procedures when levying Social Security benefits. However, for 15 percent of our sample, revenue officers took levy action on Social Security recipients that likely caused or exacerbated economic hardship. These levies may be due in part to a change in collection

policies that appear to be giving equal weight to nonlegal considerations (such as whether taxpayers return revenue officers' telephone calls) with the legal requirement to release the levy when the IRS determines that the levy is creating an economic hardship for the taxpayer.

Additionally, while existing procedures allow revenue officers to manually levy up to 100 percent of Social Security benefits, taxpayers have the right to claim an exemption against the levy. However, in 28 percent of our sampled cases, revenue officers used the wrong form to levy Social Security benefits. As a result, exemption amounts were not considered prior to establishing the levy. Of these cases, 6 percent involved taxpayers who suffered greater Social Security levies than allowed by law.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Small Business/Self-Employed Division Director, Collection: 1) provide guidance on levying Social Security benefits and give examples to guide revenue officers; 2) revise the Internal Revenue Manual to clarify that levy actions should not be taken if they will likely cause or exacerbate an existing economic hardship based on facts and circumstances of the case; 3) review the levy determinations for the levies that caused financial hardship; 4) remind Field Collection employees of the proper form to use when levying Social Security benefits; and 5) provide the opportunity to claim the proper amount of exemptions allowed for the affected taxpayers in our sample.

The IRS agreed with four recommendations and partially agreed with the fifth. The IRS plans to: provide guidance on using discretion before levying Social Security benefits; clarify the Internal Revenue Manual on requirements for a determination of economic hardship; and remind employees to use proper forms. The IRS stated that it reviewed the levy determinations for the levies that caused financial hardship and did not agree to provide all taxpayers in TIGTA's sample the opportunity to claim the proper amount of exemptions allowed. TIGTA believes that all of our recommendations would benefit the IRS and taxpayers.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 30, 2016

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED
DIVISION

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Revenue Officer Levies of Social Security
Benefits Indicate That Further Modification to Procedures Is Warranted
(Audit # 201530031)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) is appropriately applying manual levies to Social Security benefits. This audit is included in our Fiscal Year 2016 Annual Audit Plan and addresses the major management challenge of Taxpayer Protection and Rights.

Management's complete response to the draft report is included as Appendix VII. We have concerns regarding some of the statements in the IRS's response to our report. Our comments are included in the report.

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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Abbreviations

FPLP	Federal Payment Levy Program
ICS	Integrated Collection System
I.R.C.	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
SSA	Social Security Administration



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Background

The Social Security Administration (SSA) makes payments for Supplemental Security Income, and Retirement, Survivors, and Disability Insurance. Retirement, Survivors, and Disability Insurance payments (Social Security benefits) are based on Social Security taxes withheld and paid during a person's working years. These payments are not based on need, so the Internal Revenue Service (IRS) has the authority to levy the payments to satisfy delinquent taxes.¹ For many older taxpayers, Social Security benefits are their primary source of income.

The IRS operates the Federal Payment Levy Program (FPLP), which allows it to levy certain Federal payments, including Social Security benefits.² Through the FPLP, the IRS can issue a continuous levy of 15 percent on Social Security benefits.³ During Fiscal Year 2014, the majority of revenue collected by the FPLP program was from Social Security benefits.⁴ Between Calendar Years 2002 and 2006, the IRS had a low-income filter for Social Security benefits levied through the FPLP, but that particular filter was found to be inaccurate by the Government Accountability Office.⁵ The Government Accountability Office's recommendation advised the IRS to eliminate the exclusion until a more accurate criterion could be developed.

After the elimination of the inaccurate filter in Calendar Year 2006, the IRS and the National Taxpayer Advocate analyzed other ways to implement a more accurate low-income filter that would prevent potential financial hardships that an FPLP levy may impose. That analysis led to the implementation in January 2011 of the current low-income filter for taxpayers with Social Security benefits. The FPLP excludes taxpayers who receive Social Security benefits if their estimated income, based on internal IRS information, is less than 250 percent of the annual Department of Health and Human Services Poverty Level Guidelines. The taxpayers who bypass the FPLP program due to the low-income filter are processed through normal collection procedures. These normal collection procedures may include contact by an IRS employee or collection action, such as a levy.

The FPLP is an automated program that includes taxpayers in both the Automated Collection System and the Collection Field function along with inventory that is currently not being worked

¹ Internal Revenue Code (I.R.C.) Section (§) 6334(a)(11) exempts from levy certain needs-based payments such as Supplemental Security Income payments to the aged, blind, and disabled as well as State or local government public assistance or public welfare programs for which eligibility is determined by a needs or income test.

² I.R.C. § 6331(h)(2)&(3) authorizes the IRS to issue continuous levies on payments referred to as "specified payments."

³ I.R.C. § 6331(h)(2)(A) authorizes the IRS to levy up to 15 percent of certain Federal payments due to taxpayers.

⁴ National Taxpayer Advocate, *2014 Annual Report to Congress*.

⁵ Government Accountability Office, GAO-03-356, *Federal Payment Levy Program Measures, Performance, and Equity Can Be Improved* Page 4 (Mar. 2003).



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by either Automated Collection System or the Collection Field function. When taxpayers respond to IRS regarding an FPLP action, then the Automated Collection System function or the Collection Field function will work with the taxpayers to resolve their account. Field Collection consists of revenue officers who engage taxpayers directly to resolve unpaid tax debts. Unlike the FPLP, revenue officers in Field Collection are not prohibited from taking levy action on Social Security payments (commonly referred to as a “paper levy”) without regard to a maximum percentage.

Stakeholders have raised questions regarding the inconsistent approach to low-income taxpayers which, on the one hand, filters them away from the harmful effects of a 15 percent levy only to end up being subjected to a 100 percent levy by a revenue officer.⁶ This audit was undertaken to determine whether revenue officers are levying low-income taxpayers’ Social Security benefits; if so, what processes and procedures govern such levies; and under what circumstances those levies are occurring. The IRS’s budget has been reduced in recent years, which has affected the number of cases it can work. In an April 2015 press article, an IRS manager stated that, due to resource constraints, revenue officers are only assigned very high-dollar balance due accounts. While the IRS later clarified that its collection actions are not limited to high dollar accounts because it has a variety of collection tools available, it did not clarify that revenue officers continue to work a full range of balance due cases.⁷

The IRS does not retain levy source information for closed cases, so we could not determine the actual number of taxpayers who were subject to levies of Social Security benefits by Field Collection in any given year. Alternatively, the Integrated Collection System (ICS) open inventory includes information about all open cases that are assigned to revenue officers throughout the country. Analysis showed that revenue officer levies of Social Security benefits may be infrequent. Specifically, as of March 2015, 454 assigned and open cases involved paper levies of Social Security benefits. However, additional cases involving levies of Social Security benefits may have been processed from the population of ICS open inventory as revenue officers were still actively working these cases. This review focused on the manual levies issued by revenue officers in Field Collection.

This review was performed at Small Business/Self-Employed Division field offices in Phoenix, Arizona; Tampa, Florida; Kansas City, Missouri; and Pittsburgh, Pennsylvania, and with information obtained from the Office of Collection Policy in Washington, D.C., during the

⁶ Including the Taxpayer Advocate Service.

⁷ In a statement to the Washington Post in April 2015 regarding the budget effects on its compliance program, a supervisor in the IRS Field Collection function reported that only delinquencies greater than \$1 million would be assigned to revenue officers. However, the official IRS statement qualified the supervisor’s assessment to suggest that lower dollar cases would receive alternative treatments, as follows:

While the amount of money owed is a significant factor in the workload that is assigned to our revenue officers, it’s inaccurate to suggest that we only pursue cases above \$1 million and simply ignore collection in other cases. We have a variety of collection tools available to collect tax debts; personal visits are just one of the options available.

Lisa Rein, *IRS: Dallas Tax Cheats Get Off, Budget Cuts to Blame*, The Washington Post, April 8, 2015.



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period March through December 2015. 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. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



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Results of Review

A Change in Policy Likely Contributed to Levies That Caused or Exacerbated Economic Hardship

The FPLP processes a much higher volume of levies than Field Collection, and it does so in an automated environment with limited IRS employee involvement. As a result, there is limited opportunity for an IRS employee to make an assessment of the taxpayer's ability to pay before the levy is applied. Therefore, the IRS established criteria designed to increase the likelihood that FPLP-levied taxpayers have some ability to make payments. Specifically, FPLP Social Security benefit levies are limited to 15 percent⁸ of the payment, and, in general, taxpayers receiving Social Security benefit with income below 250 percent of the Federal poverty level⁹ are not subject to FPLP levies but instead are processed through normal collection procedures, which may include contact by an IRS employee.¹⁰

Cases that are assigned to Field Collection and worked by revenue officers are supposed to reflect a higher risk to tax administration than those that are worked systemically by the FPLP. For example, taxpayers with high-dollar liabilities and/or taxpayers with delinquencies for multiple tax periods may be assigned to Field Collection. Unlike the FPLP in which discretionary decision making is limited, revenue officers are supposed to make levy determinations of Social Security benefits on a case-by-case basis and exercise judgment in making the determination to levy.

When determining if a levy is appropriate, revenue officers are advised to consider the taxpayer's:

- Responsiveness to attempts at contact and collection.
- Filing and paying compliance history.
- Effort to pay the tax.
- Financial condition, including information related to economic hardship determinations.

There are special procedures and thresholds for levying individual retirement accounts and 401(k) retirement accounts. Specifically, the entire sum of money accumulated in a pension or retirement plan can only be levied if the IRS determines that the taxpayer has been deemed to

⁸ I.R.C § 6331(h).

⁹ See Appendix V for 2015 Federal poverty levels.

¹⁰ The FPLP low-income filter systemically blocks taxpayers with income below 250 percent of the Federal poverty level from FPLP automatic levies.



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have engaged in ‘flagrant’ conduct, considers alternative actions, and determines whether the taxpayer depends on the money in the retirement account (or will in the near future) for necessary living expenses.¹¹ Internal Revenue Manual (IRM) procedures provide no special consideration to levies of Social Security benefits, and in these cases, revenue officers follow procedures for levying assets in general. Without any detailed IRM guidance on Social Security benefit levies for employees to follow, much of the perspective of Field Collection for this audit was gained in discussions we had with Field Collection revenue officers, group managers, territory managers, and other IRS personnel.¹²

When making Social Security levy determinations, revenue officers are not required to consider whether the taxpayers’ income level is below 250 percent of the Federal poverty level. Field Collection procedures require that they determine if the FPLP process will be part of their strategy to resolve the case. Some other observations made in our audit interviews include:

- Some Field Collection group managers require that all other taxpayer resources be levied before attempting to levy Social Security benefits, while others do not.
- Some group managers believed that, in upwards of 90 percent of their cases in which paper levies are made on taxpayers, the taxpayer possesses no other source of income.
- Some group managers stated that the case had to be “egregious” before Social Security benefits would be levied above the 15 percent FPLP levy.
- Some group managers indicated that Social Security levies were used to get a taxpayer’s attention, while others believed such use of a levy is not appropriate.
- Some revenue officers use Form 668-W, *Notice of Levy on Wages, Salary, and Other Income*, which ensures that levied taxpayers receive the exemptions to which they are entitled, while others use Form 668-A, *Notice of Levy*, to maximize the levy.
- Most interviewees indicated that most cases involving Social Security benefits already have an FPLP levy on the case when the case is assigned.
- In one territory, the territory manager indicated that the groups in that territory never levy 100 percent of Social Security benefits. A revenue officer within that same territory indicated that he had issued as many as five Social Security levies in the past year and used Form 668-A to levy the maximum amount.
- All interviewees indicated that a financial analysis should be performed on a Collection Information Statement to assess the taxpayer’s ability to pay the tax, and all stated that the “250 percent above Federal poverty level” criterion is not factored into their analysis.

¹¹ IRM Section 5.17.3.9.19 (Jan. 2011).

¹² Our discussions with IRS Field Collection personnel consisted of 26 interviews across the country of revenue officers, group managers, and territory managers.



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procedures provide that multiple considerations should weigh on the decision to levy on taxpayers' property.¹⁶ Figure 1 is an excerpt from the applicable IRM containing the new policy.

Figure 1: Excerpt From IRM 5.11.1.3.1

<p>5.11.1.3.1 (08-01-2014) Pre-Levy Considerations</p>	<p>(1) Taxpayers have the right to a fair and just tax system. That is, taxpayers have the right to expect the tax system to consider facts and circumstances that might affect their underlying liabilities, ability to pay, or ability to provide information timely. See Pub 1, Taxpayer Bill of Rights #10.</p> <p>(2) Accordingly, levy determinations are made on a case-by-case basis and Revenue Officers must exercise good judgment in making the determination to levy. When determining if a levy is appropriate consider the following:</p> <ul style="list-style-type: none">• The taxpayer's financial condition, including information discussed in IRM 5.1.12.20.1.1 related to economic hardship determinations <p>Note: When determining whether the financial information available is sufficient to establish an economic hardship each levy should be considered independently. In general, it will be necessary for the taxpayer to provide information for this determination to be made. However, if the Revenue Officer can verify from the information available that the levy will cause an economic hardship, the levy will not be issued, because if there is economic hardship, the levy must be released under IRC 6343(a)(1)(D).</p> <ul style="list-style-type: none">• The taxpayer's responsiveness to attempts at contact and collection• The taxpayer's filing and paying compliance history• The taxpayer's effort to pay the tax• Whether current taxes are being paid <p>Note: There is no requirement that taxpayers experiencing economic hardship be in filing or payment compliance before a levy is released. See <i>Vinatieri v. Commissioner</i>, 133 T.C. 392 (2009). Thus, when the Service determines that the levy will create an economic hardship, do not issue the levy as a means to secure other compliance, e.g., missing tax returns.</p>
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Source: IRM 5.11.1.3.1, August, 2014

The revised IRM is a likely contributor to the cause for the levies. While the IRM provision lists economic hardship as a pre-levy consideration and references the *Vinatieri* Tax Court decision,¹⁷ the other considerations provided (which are not derived from the law, such as the taxpayer's responsiveness to the revenue officer) appear to be given equal weight to a taxpayer's economic hardship (which is derived from I.R.C Section (§) 6343). However, economic hardship should

¹⁶ I.R.C. § 6343(a)(1)(D) and IRM 5.11.1.3.1, *Pre-Levy Considerations*.

¹⁷ In *Vinatieri*, the Tax Court ruled that it was an abuse of discretion for the IRS to proceed with a garnishment of the taxpayer's wages even though the IRS agreed that the taxpayer was unable to meet basic living needs, but it intended to proceed with the levy anyway because the taxpayer had unfiled tax returns. *Vinatieri v. Commissioner*, 133 T.C. 392 (2009).



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take precedence over nonlegal considerations. IRS Collection officials confirmed their view that revenue officers should weigh these items at their “professional discretion.”

The procedures also state that, generally, it will be necessary for the taxpayer to provide information for economic hardship. However, the procedures also allow the revenue officer to determine economic hardship from the information available before taking levy action. In **1** cases, the revenue officers took the levy action on Social Security benefits even though IRS Master File¹⁸ data and case file information showed that taking levy action in excess of 15 percent would potentially cause an economic hardship.¹⁹

The Director, Field Collection, and Collection Policy management advised us that the new procedure provides that revenue officers can still require the taxpayer to submit financial information, and if the taxpayer is not cooperative, revenue officers may use their judgment as to whether they have sufficient information available to determine economic hardship. According to IRS management, similar to the *****1*****, the revenue officers in these *1* cases judged that there was not sufficient information to determine hardship. However, our financial analyses of these cases indicate that the revenue officers had sufficient information available to them to make an economic hardship determination.

In order to determine the economic circumstances of these taxpayers, we used taxpayer income on the IRS Master File and the IRS’s allowable living expenses to make our estimates.²⁰ See Appendix VI for illustrations of how we performed our financial analysis estimates. We used information that was available to the revenue officers for each case to estimate the taxpayers’ monthly disposable income available for levy. Results showed there was no disposable income in all **1** cases, and therefore there was no income available to levy. In addition, we reviewed the revenue officers’ case notes, which document the revenue officers’ observations and findings. In all *1* cases, we found that the revenue officers’ case notes were consistent with our conclusion that the taxpayers were either already unable to meet basic living expenses or that the levy would cause them to be unable to meet basic living expenses. For example, observations from the revenue officers in these cases included notations similar to the following:

- *Taxpayers are possible hardship cases.*
- *Taxpayers are unemployed.*
- *There is no money available to levy.*
- *Taxpayers’ financial situation only getting worse, not better.*

¹⁸ The IRS database that maintains transactions or historical records of individual and business tax accounts, including income tax return data and information documents submitted by third parties.

¹⁹ Case file information included the results of research and investigative work performed by the revenue officer and documented in the ICS.

²⁰ Allowable living expenses are those expenses that are necessary to provide for a taxpayer’s and his or her family’s health and welfare and/or production of income. They are based on national and local standards.



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- *SSA payments are taxpayers' primary income.*
- *Taxpayers are aged.*
- *Taxpayers were in bankruptcy.*
- *Taxpayers' assets taken by creditors.*

Despite these and other similar observations, revenue officers working these cases took levy action on the taxpayers' Social Security benefits.

As a result, we believe that levying these **1** taxpayers likely created or exacerbated existing economic hardships. The "professional discretion" that revenue officers are supposed to use should encompass assessing the facts and circumstances as to whether the taxpayer appears to be in financial difficulty, even if the taxpayer is otherwise "uncooperative." Accordingly, the IRS should revise the IRM to emphasize that if a levy will cause an economic hardship based on the facts and circumstances, including the Master File data and allowable living expenses, as well as their observations of the taxpayers' living conditions/lifestyle, the levy should not be made. Taxpayers' rights need to be protected when levies cause economic hardship, and the IRS must release the levy if economic hardship can be demonstrated.²¹

Overall, *****1***** the **1** taxpayers levied after it clearly had indications of existing economic hardship, and in three cases taxpayers had already contacted the IRS to claim economic hardship, and the IRS subsequently released or partially released the levies. When our error rate of 13 percent (17 of 136 cases) is projected to the total population of 454 open cases, we estimate that 57 taxpayers experienced possible economic hardship due to levies of their Social Security benefits.²²

It is also clear that when determining whether to levy a taxpayer's Social Security benefits, Field Collection policy and practice does not follow the protections provided by the low-income filter in the FPLP. While the low-income filter would prevent potential financial hardships that the FPLP levy may impose, the taxpayers who bypass the FPLP program due to the low-income filter are processed through normal collection procedures. These normal collection procedures may include contact by an IRS employee so that the taxpayer's ability to pay can be examined more closely. The IRS created the low-income taxpayer filter in consultation with the Taxpayer Advocate Service as a means of protecting low-income taxpayers and saving the IRS the resources expended in removing FPLP levies from low-income taxpayers. However, while discussing our draft report with the IRS, Collection Policy personnel advised us that the low-income filter is designed to allow (and we observed some of these cases in our audit) low-income taxpayers to be routed away from the FPLP's 15 percent limit only to be subject at a later point in time to a 100 percent levy of their Social Security benefits. If a 15 percent levy on

²¹ I.R.C. § 6343(a)(1)(D).

²² The point estimate projection is based on a two-sided 90 percent confidence interval. We are 90 percent confident that the point estimate is between 39 and 75.



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Social Security benefits creates unnecessary hardship on taxpayers and unnecessary rework for the IRS, then a 100 percent levy on Social Security benefits of low-income taxpayers compounds those problems.

Recommendations

The Small Business/Self-Employed Division Director, Collection, should:

Recommendation 1: Provide guidance on levying Social Security benefits and give examples to guide revenue officers as to when it is appropriate and how to levy Social Security benefits.

Management's Response: Management agreed with this recommendation and will provide guidance on using discretion before levying Social Security benefits.

Recommendation 2: Revise the IRM to clarify that levy actions should not be taken if they will likely cause or exacerbate an existing economic hardship based on facts and circumstances of the case, and advise Field Collection employees of this policy change.

Management's Response: Management agreed with this recommendation and will clarify IRM 5.11.1.3.1 on what is required to verify a possible determination of economic hardship when considering issuing an SSA levy.

Recommendation 3: Review the levy determinations for the 17 levies that caused financial hardship and refund any appropriate amounts to taxpayers pursuant to I.R.C. § 6343(d)(2).

Management's Response: Management agreed with this recommendation and stated that they had previously reviewed our cases and determined that there were no cases for which a refund would be appropriate pursuant to I.R.C. § 6343(d)(2).

Management also pointed out that in the overwhelming majority (85 percent) of the cases reviewed the decision to levy was in compliance with existing IRS procedures and the law. The IRS also asserted that the purpose of the FPLP low-income filter is to make a determination whether to use the automated levy program to collect the liability and that the low-income filter is not a proxy for an economic hardship determination and is not determinative of whether the taxpayer has the ability to pay the delinquent taxes through any other collection means.

Office of Audit Comment: Returning funds to taxpayers pursuant to I.R.C. § 6343(d)(2) is discretionary on the part of the IRS, and the IRS can do this in cases where the return of property is in the best interests of the taxpayer and the Government.²³ Pursuant to this provision, the National Taxpayer Advocate makes the determination on the part of the taxpayer. Consistent with the IRS's agreement to evaluate these cases under I.R.C. § 6343(d)(2), it should refer these cases to the

²³ I.R.C. § 6343(d)(2)(D).



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Taxpayer Advocate Service. The financial condition of these taxpayers documented in case files (*e.g.*, taxpayers are possible hardship cases; taxpayers are unemployed; there is no money available to levy; taxpayers' financial situation only getting worse, not better; and SSA payments are taxpayers' primary income) warrants analysis from the taxpayers' perspective.

It is accurate that in 85 percent of the cases reviewed the IRS complied with its procedures for levying assets. However, our sample of cases consisted of manual levies of Social Security payments. We selected the cases without regard to taxpayers' assets and income. Many of the taxpayers in our sample had significant income, and for one reason or another, these taxpayers were failing to satisfy their tax obligation despite their income. Accordingly, we found levies in excess of 15 percent of Social Security payments appropriate under the circumstances. Only a relatively small number of cases in our sample involved taxpayers on the threshold of an economic hardship. In these cases, we believe IRS procedures need to be adjusted to allow revenue officers with appropriate discretion (and common sense) not to levy if facts and circumstances clearly show that taxpayers are in or on the threshold of an economic hardship. However, management's response indicates that the revenue officers are still required to take action even when their common sense tells them that taxpayers are suffering an economic hardship because the taxpayer has not provided additional information or is unwilling to further engage the IRS.

With respect to the FPLP low-income filter, our report does not assert that the FPLP low-income filter is a proxy for economic hardship. However, unless it is the IRS's intent to treat lower income taxpayers more aggressively than higher income taxpayers, it is inappropriate to route low-income taxpayers away from 15 percent levies under the FPLP out of concern that some may not be able to meet living expenses due to the 15 percent levy only to bring economic calamity to them by seizing 100 percent of their Social Security payments simply because the taxpayers have not provided additional information or are unwilling to further engage with the IRS.

Taxpayers Were Not Always Allowed Exemptions When Social Security Benefits Were Levied

Although the IRS can manually levy up to 100 percent of Social Security benefits,²⁴ taxpayers have the right to claim an exemption against the levy.²⁵ This exemption allows taxpayers to receive a minimum amount of the Social Security payment and prevent all or part of the manual

²⁴ I.R.C. § 6331(a).

²⁵ I.R.C. § 6334(a)(9).



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levy. The IRS publishes a table that shows the amount exempt from levy.²⁶ For example, a single taxpayer receiving monthly income claiming one exemption would be entitled to an exemption amount of \$858.33 for levy payments made in Calendar Year 2015. If the taxpayer's income is \$1,000 a month, the IRS would levy only \$141.67. If the taxpayer is also over the age of 65, the taxpayer would be entitled to an additional exemption amount of \$129.17. This would leave only \$12.50 available for levy.

We determined that revenue officers were not always allowing taxpayers the opportunity to claim exemption amounts, and, therefore, they took more Social Security benefits than provided for by law. This occurred because revenue officers sometimes improperly used Form 668-A when levying Social Security benefits, which does not allow for these exemptions.

There are two types of levy forms that revenue officers prepare using the ICS:

- Form 668-W, *Notice of Levy on Wages, Salary, and Other Income*, is used to levy an individual's wages, salary (including fees, bonuses, commissions, and similar items), or other income.
- Form 668-A, *Notice of Levy*, is used to levy other property that a third party is holding, such as bank accounts and business receivables.

Revenue officers are instructed to use Form 668-W when levying Social Security benefits.²⁷ Upon receipt of the parts of Form 668-W submitted by the taxpayer, the SSA calculates and deducts exemption amounts. Form 668-W takes into account the taxpayer's exemptions, filing status, and whether the taxpayer has any additional standard deductions (such as age 65 or older or blind).

However, revenue officers in 38 (28 percent) of the 136 sampled cases improperly used Form 668-A to levy taxpayers' Social Security benefits.²⁸ IRS management advised us that revenue officers may have used the wrong form due to confusion between current Social Security benefits and future retirement benefits.²⁹ As a result, eight taxpayers (6 percent) were levied more than would have been allowed if Form 668-W were used. In fact, some should not have been levied at all because their exemption amounts were greater than their income. Using the levy exemption chart, we determined that the eight taxpayers were levied approximately \$92,303 more than what their exemptions allowed at the time the levies were established through December 2015.

²⁶ IRS Publication 1494, *Tables for Figuring Amount Exempt from Levy on Wages, Salary, and Other Income (Forms 668-W(ACS), 668-W(c)(DO) and 668-W(ICS))*.

²⁷ IRM 5.11.6.1.1(3), *Social Security*.

²⁸ In some instances, revenue officers submitted both Form 668-A and 668-W to levy Social Security benefits.

²⁹ Per Revenue Ruling 55-210, future retirement payments (fixed and determinable assets) are levied using Form 668-A even though the taxpayer cannot receive the assets until some future date.



Revenue Officer Levies of Social Security Benefits Indicate That Further Modification to Procedures Is Warranted

When levying Social Security benefits, revenue officers are instructed to send Part 1 of Form 668-W to the SSA office that issued the taxpayer's Social Security Number. Revenue officers are to include Notice 484, *Instructions to Employer with Centralized Payroll System for Processing Statement of Exemptions and Filing Status*. Revenue officers are also instructed to send the other parts of Form 668-W to the taxpayer with Notice 483, *Instructions to Employee Paid Through a Centralized Payroll System for Submitting Statement of Exemptions and Filing Status*. Notice 483 instructs the taxpayer to complete the statement of exemptions and forward it to the SSA.

We were advised by IRS Collection Policy management that the SSA sends out its own form to taxpayers, thus minimizing the impact when revenue officers do not use Form 668-W. If the taxpayer does not respond to the SSA's form, the SSA allows the taxpayer an exemption amount for a married taxpayer filing a separate return with only one personal exemption in accordance with Federal Regulations.³⁰ The IRS provided us with notes from SSA personnel³¹ stating that the taxpayers in ****1**** of our eight cases did not respond to the SSA's form so it allowed the minimum exemption.³² However, our review indicates that the SSA exemption form did not affect the levies because the Social Security benefits were levied before the taxpayer could have timely responded to the SSA.

- In six of the ****1**** cases, the taxpayers' Social Security benefits were levied prior to the date the SSA said it mailed the taxpayer the exemption form (an average of 26 days prior to the form being sent, *****1*****).
- *****1*****
*****1*****.

Because the revenue officers used Form 668-A, these taxpayers were allowed only the lower exemption amount, since the SSA had no exemption information at the time the levies started.³³ But because the Treasury Regulations also provide that taxpayers may submit exemption information to the SSA at any time, the IRS contends that these eight taxpayers have since had the opportunity to claim the proper exemption amounts using the SSA form.

We believe that the IRS did not provide taxpayers with the opportunity to claim the proper exemption amounts. As a result, these eight taxpayers were not provided the exemption amounts they are entitled to per I.R.C. § 6334(a)(9). The \$92,303 previously discussed represents the amount levied that exceeded the correct amount (if the exemptions had been allowed for these taxpayers at the time the levies were established through December 2015). We projected the \$92,303 (an average of \$11,538 per taxpayer) related to the eight taxpayers to the total

³⁰ I.R.C. § 6334(d)(2)(B).

³¹ The IRS contacted the SSA requesting SSA information on our cases.

³² *****1*****
*****1*****.

³³ Treasury Regulations provide that the SSA is required to exempt from levy an amount for a married individual filing a separate return with only one personal exemption until the taxpayer provides exemption amounts.



*Revenue Officer Levies of Social Security Benefits Indicate
That Further Modification to Procedures Is Warranted*

population of 454 open cases. We estimate that the IRS erroneously levied \$308,168 from 27 taxpayers.³⁴ Moreover, the IRS should not rely on the SSA to ensure that IRS levies are in conformity with the law and that taxpayers' rights are protected.

Recommendations

The Small Business/Self-Employed Division Director, Collection, should:

Recommendation 4: Remind Field Collection employees to use Form 668-W when levying Social Security benefits.

Management's Response: Management agreed with this recommendation and will remind Field Collection employees to use Form 668-W when levying Social Security benefits.

Recommendation 5: Send the applicable parts of Form 668-W with Notice 483 to the eight taxpayers in our sample to provide them the opportunity to claim the proper amount of exemptions they are allowed.

Management's Response: Management partially agreed with this recommendation *****1***** in our sample ** *****1*****. Management stated that taxpayers were provided an opportunity to provide exemption amounts directly to the SSA.

Office of Audit Comment: For all eight taxpayers, exemption amounts were not considered prior to establishing the SSA. In these cases, the Social Security benefits were levied before the taxpayer could have timely responded to the SSA, and the IRS should take the appropriate action for all cases.

³⁴ The point estimate projection is based on a two-sided 90 percent confidence interval. We are 90 percent confident that the actual number of taxpayers is between 14 and 39 and the amount levied is between \$125,913 and \$490,343. Also, the total provided does not equal a direct calculation of 27 x \$11,538 due to rounding.



*Revenue Officer Levies of Social Security Benefits Indicate
That Further Modification to Procedures Is Warranted*

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the IRS appropriately applied manual levies to Social Security benefits. To accomplish our objective, we:

- I. Analyzed the laws and guidance regarding levies (FPLP and manual) of Social Security benefits.
 - A. Reviewed the laws, IRM sections, and other guidance pertaining to the issuance of levies (FPLP and manual) on Social Security benefits.
 - B. Identified and assessed the conditions and process that allows collection cases of taxpayers with Social Security benefits to bypass the FPLP to be assigned to a revenue officer for a manual levy.
 - C. Interviewed Collection Headquarters, Collection Policy, and Field Collection personnel regarding the intent and purpose of the policy that permits collection cases of taxpayers with Social Security benefits to bypass the FPLP for assignment to a revenue officer.
 - D. Selected a judgmental sample¹ of four territory managers, eight group managers (two group managers for each territory manager), and fourteen revenue officers regarding their procedures and handling of cases in which taxpayers with Social Security benefits bypass the FPLP for assignment to a revenue officer. We used judgmental sampling to obtain the opinions of a reasonable cross-section of Collection employees.
- II. Determined whether revenue officers appropriately levied taxpayer Social Security benefits.
 - A. Obtained an extract of 454 Field Collection cases from the ICS open inventory (as of March 16, 2015) in which revenue officers levied Social Security benefits.
 - B. Selected and reviewed a random sample of 136 cases from the extract in Step II.A (ICS open cases).

Population Size:	454 cases
Confidence Level:	90 percent
Expected rate of Occurrence:	80 percent
Precision Rate:	± 5 percent

¹ A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.



*Revenue Officer Levies of Social Security Benefits Indicate
That Further Modification to Procedures Is Warranted*

- C. For the sampled cases, compiled data and information from ICS histories and pertinent Master File² information obtained via Integrated Data Retrieval System³ transcripts. We compiled specific data that included the taxpayer's income amount (command code RTVUE) and Social Security payment amount (command code IRPTR, IMFOL).
- D. For the sampled cases, reviewed each case to determine:
 - 1. The percentage of the levy amount to the Social Security payment.
 - 2. The taxpayer's income at the time levy action started and current income per the last tax return filed. We also performed a financial analysis to determine the amount of income available for levy.
 - 3. Whether the taxpayer's income was below 250 percent of the poverty level and whether the low-income filter would have prevented levy action by the FPLP.
 - 4. Whether Form 668-W was used to levy.
- E. Validated the ICS extract by comparing a sample of records to Master File data. We determined that the data were sufficiently reliable for 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: Small Business/Self-Employed Division Collection function's policies, procedures, and practices for taking levy action; specifically, those involving levy determinations and specific forms used to levy Social Security benefits. We tested these controls by reviewing a random sample of revenue officer open cases in which Social Security benefits were levied and interviewing Collection function management and personnel.

² The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

³ IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.



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Appendix II

Major Contributors to This Report

Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations)
Carl Aley, Director
Timothy Greiner, Audit Manager
Bridgid Burkert, Lead Auditor
Doris Cervantes, Senior Auditor
Michael Della Ripa, Senior Auditor



*Revenue Officer Levies of Social Security Benefits Indicate
That Further Modification to Procedures Is Warranted*

Appendix III

Report Distribution List

Commissioner
Office of the Commissioner – Attn: Chief of Staff
Deputy Commissioner for Services and Enforcement
Director, Collection, Small Business/Self-Employed Division
Director, Collection Policy, Small Business/Self-Employed Division
Director, Field Collection, Small Business/Self-Employed Division
Director, Headquarters Collection, Small Business/Self-Employed Division
Director, Office of Audit Coordination



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Appendix IV

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; 57 taxpayers experiencing possible economic hardship due to levies of their Social Security benefits (see page 4).

Methodology Used to Measure the Reported Benefit:

As of March 16, 2015, there were 454 cases in the ICS open inventory in which the revenue officer levied the taxpayer's Social Security benefits. We selected a random sample of 136 cases to review. We completed a financial analysis using Master File¹ data, IRS standards for allowable living expenses, and revenue officer observations of the taxpayers' living conditions/lifestyle. Based on our financial analyses, the taxpayers in 20 of the cases showed evidence of possible economic hardship due to the levies of their Social Security benefits. During the audit, three of the 20 taxpayers had already contacted the IRS to claim economic hardship, and the IRS subsequently released or partially released the levies. Accordingly, we determined there are 17 taxpayers experiencing possible economic hardship due to levies of their Social Security benefits. When projected to the total population of 454 open cases, we estimate that 57 taxpayers may experience possible economic hardship due to levies of their Social Security benefits. The point estimate projection is based on a two-sided 90 percent confidence interval. We are 90 percent confident that the point estimate is between 39 and 75.

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; 27 taxpayers were not allowed \$308,128 of exemptions from levies of their Social Security benefits (see page 11).

Methodology Used to Measure the Reported Benefit:

As of March 16, 2015, there were 454 cases in the ICS open inventory in which the revenue officer levied the taxpayer's Social Security benefits. We selected a random sample of 136 cases to review. We determined that revenue officers in 38 (28 percent) of the 136 sampled cases

¹ The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.



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improperly used Form 668-A to levy taxpayers' Social Security benefits. From the time the levies were established through December 2015, eight taxpayers were not given \$92,303 in exemptions allowed by law (an average of \$11,538 per taxpayer). When we projected our error rate (8/136) to the total population of revenue officer Social Security payment levy cases as of March 16, 2015, we estimate that 27 taxpayers were erroneously levied \$308,128 (27 X \$11,538) from Social Security benefits.² The point estimate projection is based on a two-sided 90 percent confidence interval. We are 90 percent confident that the actual number of taxpayers is between 14 and 39 and the amount levied is between \$125,913 and \$490,343.

² The total provided does not equal a direct calculation of 27 x \$11,538 due to rounding.



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Appendix V

Federal Poverty Level Amounts

**2015 POVERTY GUIDELINES FOR THE 48 CONTIGUOUS STATES
AND THE DISTRICT OF COLUMBIA**

Persons in family/household	Poverty guideline
1	\$11,770
2	15,930
3	20,090
4	24,250
5	28,410
6	32,570
7	36,730
8	40,890
For families/households with more than 8 persons, add \$4,160 for each additional person.	

Source: U.S. Department of Health and Human Services. (The IRS uses these guidelines for the low-income filter in the FPLP).



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That Further Modification to Procedures Is Warranted*

Appendix VI

Financial Analysis Illustrations

We used the taxpayer’s monthly income amount and the IRS’s allowable living expense items to estimate the taxpayer’s ability to pay his or her delinquent tax liability via a levy of Social Security benefits. The allowable living expense items are guidelines established by the IRS to provide consistency in certain expense allowances such as food and household expenses, medical expenses, housing, and transportation. In addition, the IRS collects certain asset information (such as bank account and investment balances) directly from the taxpayer. We did not include asset information in our estimates. The following chart is an illustration how we performed our financial analysis.

Information Available to Revenue Officer	Taxpayer A	Taxpayer B
Filing Status	Single 1 Person in Household	Married Filing Jointly 2 People in Household
Master File – Third-Party Information Documents Data	\$18,000	\$32,500
Master File – Income Tax Return Data	None filed for Tax Years 2012, 2013, or 2014	None filed for Tax Years 2012, 2013, or 2014
Social Security Income	\$18,000	\$31,000
Estimated Monthly Income for Taxpayer	\$1,500	\$2,708
Allowable Living Expenses: Housing Standards	(\$1,302)	(\$2,153)
Allowable Living Expenses: Transportation Standards	(\$517)	(\$517)
Allowable Living Expenses: National Standards	(\$583)	(\$1,092)
Allowable Living Expenses: Out-of-Pocket Health Care Standards	(\$144)	(\$144)
Monthly Income Available for Levy After Deducting Allowable Living Expenses	(\$1,046)	(\$1,198)
Levy Amount Taken by Revenue Officer	\$1,400	\$850

Source: Treasury Inspector General for Tax Administration Illustration.



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That Further Modification to Procedures Is Warranted*

Appendix VII

Management's Response to the Draft Report

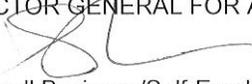


COMMISSIONER
SMALL BUSINESS/SELF-EMPLOYED DIVISION

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

MAY 31 2016

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Karen Schiller 
Commissioner Small Business/Self-Employed Division

SUBJECT: Draft Audit Report – Revenue Officer Levies of Social Security
Benefits Indicate That Further Modification to Procedures Is
Warranted (Audit # 201530031)

Thank you for the opportunity to review the subject draft report. We appreciate your recognition that in the overwhelming majority (85 percent) of the cases you reviewed, the decision to levy was in compliance with existing IRS procedures and the law. Indeed, we assert that our compliance rate is even higher than that, as your findings with respect to the remaining 15 percent of the cases you reviewed are speculative in nature. We do not agree that TIGTA identified any cases in the sample they examined wherein the levy caused an economic hardship at the time the levy was issued. There is no legal requirement that the IRS complete an economic hardship determination prior to issuing the levy. At the time the levies were issued, the revenue officers (ROs) were acting within their sound discretion when they could not secure or verify the taxpayers' financial information.

Your report states that RO levies of Social Security benefits are generally infrequent – noting that as of March 2015, there were 454 assigned and open cases involving paper levies of social security benefits. To put this number in perspective, we note that, as of March 2015, the total number of all cases in open inventory was 158,824 – meaning that those 454 Social Security levy cases make up less than three-tenths of one percent of our open inventory as of that date.

In 2014, working in coordination with the National Taxpayer Advocate, we updated our guidance to ROs on factors they should consider before issuing a levy to attach Social Security benefits. This guidance explains that levy determinations should be made on a case-by-case basis, should consider several factors, and revenue officers must exercise good judgment in making the determination to levy. ROs are responsible for collecting delinquent taxes and, in doing so, they protect and promote the public confidence in our tax system and ensure fairness to the millions of taxpayers who do pay their taxes.

In most cases, ROs need information from the taxpayer in order to determine the appropriate treatment to resolve the case. In working to gain a full understanding of a



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taxpayer's financial situation, ROs research IRS databases. However, that information is not complete by itself because the databases may not include all sources of income and may not provide information on taxpayer assets. Financial information provided by the taxpayer is a crucial piece of that information. When taxpayers do not provide required information in order to resolve their tax debts, enforcement action may be initiated to collect the liabilities. Levies on Social Security benefits are only issued after the RO has made an attempt to contact the taxpayer to resolve the delinquent accounts. If the taxpayer does not cooperate and is not responsive, the IRS has to take action to protect the revenue - otherwise, we would be condoning delinquent taxpayer behavior and negatively impacting tax administration. If a taxpayer later provides the IRS with the required information, levies can often be released and payment arrangements, or a determination of economic hardship, may be made.

For delinquent taxpayers who receive Social Security benefits, the IRS also has the ability to offset a portion of those benefits under the Federal Payment Levy Program (FPLP). The purpose of the FPLP Low Income Filter (LIF) is to make a determination whether to use the automated levy program to collect the liability. The LIF is not a proxy for an economic hardship determination, nor is it determinative of whether the taxpayer has the ability to pay the delinquent taxes through any other collection means.

Your report also noted that the median balance due of the cases in your sample in which ROs levied Social Security benefits was \$83,226. Your report states that it is clear that reductions in our budget have not eliminated the assignment of low-dollar tax delinquencies. However, given the median balance due of over \$83,000 just in your sample, it is clear that we are not dealing with just low-dollar tax delinquencies. And, moreover, from a tax administration perspective, we cannot only pursue high dollar cases and abandon collection of cases that are not for high dollar amounts. For one, the amount owed by a taxpayer is not the only criteria we use to select cases for assignment, but rather field collection cases are prioritized based on collection business priorities. And second, it is important to broadly allocate our limited collection resources so as to have a compliance impact across all areas of noncompliance -whether high dollar or low dollar.

Your audit found some instances in which ROs used form 668A, Notice of Levy, to levy upon Social Security payments, rather than form 668W, Notice of Levy on Wages, Salary, and Other Income. Your report expresses concern that this could lead to taxpayers not having the opportunity to claim exemption amounts. Treasury Regulations require the Social Security Administration (SSA) to promptly notify the taxpayer of the fact that a notice of levy has been served and require SSA to request the taxpayer provide the SSA with a written statement of their exemption amount. *****1*****
*****1*****. While we do not agree that exemption amounts were not considered prior to establishing the levy in the cases you reviewed, we agree to remind ROs to use form 668W when issuing levies to the SSA.



*Revenue Officer Levies of Social Security Benefits Indicate
That Further Modification to Procedures Is Warranted*

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We generally agree with your recommendations for ensuring that our procedures are followed when reviewing and applying levies. However, we do not agree with some of your factual findings and the related outcome measures. Both taxpayer burden measures have an actual and potential measure of zero taxpayers, since at the time the levy was issued the Revenue Officer was within their sound discretion to issue the levy when they could not secure or verify the taxpayer's financial information. *****1*****
*****1*****
*****1*****
1.

Attached is a detailed response outlining our corrective actions to address your recommendations.

If you have any questions, please contact me, or a member of your staff may contact Scott Prentky, Director Collection at (954) 423-7318.

Attachment



*Revenue Officer Levies of Social Security Benefits Indicate
That Further Modification to Procedures Is Warranted*

Attachment

RECOMMENDATION 1:

The SB/SE Division Director, Collection, should provide guidance on levying Social Security benefits and give examples to guide revenue officers as to when it is appropriate and how to levy Social Security benefits.

CORRECTIVE ACTION:

We agree and will provide guidance on using discretion before levying Social Security benefits.

IMPLEMENTATION DATE:

November 15, 2016

RESPONSIBLE OFFICIAL(S):

Director, Collection Policy, Collection, Small Business/Self-Employed Division (SB/SE)

CORRECTIVE ACTION MONITORING PLAN:

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

RECOMMENDATION 2:

The SB/SE Division Director, Collection, should revise the IRM to clarify that levy actions should not be taken if they will likely cause or exacerbate an existing economic hardship based on facts and circumstances of the case, and advise Field Collection employees of this policy change.

CORRECTIVE ACTION:

We agree and will clarify IRM 5.11.1.3.1 on what is required to verify a possible determination of economic hardship when considering issuing a SSA levy.

IMPLEMENTATION DATE:

March 15, 2017

RESPONSIBLE OFFICIAL(S):

Director, Collection Policy, Collection, Small Business/Self-Employed Division (SB/SE)

CORRECTIVE ACTION MONITORING PLAN:

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



*Revenue Officer Levies of Social Security Benefits Indicate
That Further Modification to Procedures Is Warranted*

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RECOMMENDATION 3:

The SB/SE Division Director, Collection, should review the levy determinations for the 17 levies that caused financial hardship and refund any appropriate amounts to taxpayers pursuant to I.R.C. § 6343(d)(2).

CORRECTIVE ACTION:

We agree to this recommendation. We have reviewed these cases and determined that there were no cases for which a refund would be appropriate pursuant to I.R.C. § 6343(d)(2).

IMPLEMENTATION DATE:

Completed

RESPONSIBLE OFFICIAL(S):

NA

CORRECTIVE ACTION MONITORING PLAN:

NA

RECOMMENDATION 4:

The SB/SE Division Director, Collection, should remind Field Collection employees to use Form 668-W when levying Social Security benefits.

CORRECTIVE ACTION:

We agree and will remind Field Collection employees to use Form 668-W when levying Social Security benefits.

IMPLEMENTATION DATE:

November 15, 2016

RESPONSIBLE OFFICIAL(S):

Director, Field Collection, Collection, Small Business/Self-Employed Division (SB/SE)

CORRECTIVE ACTION MONITORING PLAN:

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



*Revenue Officer Levies of Social Security Benefits Indicate
That Further Modification to Procedures Is Warranted*

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RECOMMENDATION 5:

The SB/SE Division Director, Collection, should send the applicable parts of Form 668- W with Notice 483 to the eight taxpayers in our sample to provide them the opportunity to claim the proper amount of exemptions they are allowed.

CORRECTIVE ACTION:

We agree in part *****1***** in
our sample *****1*****.

1 taxpayers were provided the opportunity but did not supply a claim of an exemption amount to SSA. They were allowed married filing separate and with one personal exemption as provided by I.R.C. § 6334(d) (2) (B).

IMPLEMENTATION DATE:

August 15, 2016

RESPONSIBLE OFFICIAL(S):

Director, Field Collection, Collection, Small Business/Self-Employed Division (SB/SE)

CORRECTIVE ACTION MONITORING PLAN:

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