

# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



## **Fiscal Year 2023 Statutory Review of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute**

August 30, 2023

Report Number: 2023-10-049

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.

## Why TIGTA Did This Audit

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

**TIGTA found 13% of audit files reviewed did not contain required documentation to support that taxpayers and/or taxpayers' representatives were provided with the required notifications.**



**TIGTA ordered 92 paper audit files from the IRS, but only received 8% of those files.**



## Impact on Tax Administration

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

## What TIGTA Found

TIGTA reviewed a stratified statistical sample of 53 closed taxpayer audit files with assessment statute extensions and found that the IRS was compliant with Internal Revenue Code § 6501(c)(4)(B). The IRS complied with the legal requirement to notify taxpayers of their rights when requesting an extension of the assessment statute of limitations. No instances were found in which the IRS failed to provide notice to the taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or to specific issues.

However, TIGTA found instances in which taxpayer audit files lacked documentation to support that the IRS complied with its internal procedures for further explaining the taxpayers' rights to the taxpayers. TIGTA found that seven (13.2 percent) of these taxpayer audit files did not contain required documentation to support that taxpayers and/or taxpayers' representatives were provided with the required notifications. According to the IRS, employees erroneously omitted these documents from the audit files.

The fact that TIGTA could not identify the required documentation in the audit files does not mean that the taxpayers or their representatives were not notified of the taxpayers' rights. However, based upon the information available, TIGTA could not determine if the taxpayers or their representatives were properly notified of the taxpayers' rights in accordance with IRS internal procedures. IRS employees and their managers did not follow procedures to properly document the audit files as required by policy.

In addition, the IRS continues to have difficulties providing most of the paper documents requested. TIGTA initially ordered 92 paper audit files, but only received a total of seven (7.6 percent) of them from the IRS. The IRS stated that it is still recovering from the effects of the Coronavirus Disease 2019 pandemic office closures and delays. Other issues, such as files personnel assisting in other processes, staffing attrition, and recruitment challenges also contributed to the IRS's inability to provide the requested documents.

## What TIGTA Recommended

TIGTA recommended that the Commissioner, Small Business/Self-Employed Division, and the Commissioner, Large Business and International Division, reaffirm documentation requirements with employees involved in requesting assessment statute of limitations extensions.

The IRS agreed with our recommendation. The Small Business/Self-Employed Division plans to issue a communication to its employees reaffirming documentation requirements. The Large Business and International Division has already issued an informational article to its employees regarding examiners' requirements when soliciting a statute of limitation extension and plans to continue reaffirming documentation requirements.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

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

August 30, 2023

**MEMORANDUM FOR:** COMMISSIONER OF INTERNAL REVENUE

*Heather Hill*

**FROM:** Heather M. Hill  
Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Fiscal Year 2023 Statutory Review of Compliance  
With Notifying Taxpayers of Their Rights When Requested to Extend the  
Assessment Statute (Audit # 202310022)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) complied with Internal Revenue Code § 6501(c)(4)(B), which requires the IRS to provide notice to taxpayers of their right to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or to specific issues. This audit is included in our Fiscal Year 2023 Annual Audit Plan and addresses the major management and performance challenge of *Improving Taxpayer Service*.

Management's complete response to the draft report is included as Appendix III. If you have any questions, please contact me or Bryce Kisler, Assistant Inspector General for Audit (Management Services and Exempt Organizations).

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## **Background**

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

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

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

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

- The taxpayer may want to pursue additional tax issues that are in the taxpayer's favor to offset a proposed tax assessment or allow for a tax refund.
- The taxpayer may want to extend the amount of time they have to go to the IRS Independent Office of Appeals (hereafter referred to as Appeals). If the remaining time before the statute expires is too short, the IRS may have to prematurely stop the audit process and issue a statutory notice of deficiency. Once a statutory notice of deficiency has been issued, the taxpayer can no longer go to Appeals as the only recourse is to file a petition with the U.S. Tax Court.

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

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

<sup>3</sup> IRS employees who most often request assessment statute extensions are tax examiners and revenue agents in the various business operating divisions and appeals officers in Appeals.

<sup>4</sup> S. Rep. No. 105-174 (1998).

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

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

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

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

**Your Rights as a Taxpayer**

You have the right to refuse to extend the period of limitations or limit this extension to a mutually agreed-upon issue(s) or mutually agreed-upon period of time. **Publication 1035, Extending the Tax Assessment Period**, provides a more detailed explanation of your rights and the consequences of the choices you may make. If you have not already received a Publication 1035, the publication can be obtained, free of charge, from the IRS official who requested that you sign this consent or from the IRS' web site at [www.irs.gov](http://www.irs.gov) or by calling toll free at 1-800-TAX-FORM (1-800-829-3676). Signing this consent will not deprive you of any appeal rights to which you would otherwise be entitled.

*(Space for signature is on the back of this form and signature instructions are attached)*

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**YOUR SIGNATURE HERE** → \_\_\_\_\_ (Date signed)

\_\_\_\_\_  
*(Type or Print Name)*

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

**TAXPAYER'S REPRESENTATIVE SIGN HERE** → \_\_\_\_\_ (Date signed)  
*(Only needed if signing on behalf of the taxpayer.)*

\_\_\_\_\_  
*(Type or Print Name)*

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

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

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

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

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

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**INTERNAL REVENUE SERVICE SIGNATURE AND TITLE**

<hr/>	<hr/>
<i>(IRS Official's Name - see instructions)</i>	<i>(IRS Official's Title - see instructions)</i>
<hr/>	<hr/>
<i>(IRS Official's Signature - see instructions)</i>	<i>(Date signed)</i>

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

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

In addition, IRS internal procedures direct employees to provide the taxpayer with Letter 907, *Request to Extend Assessment Statute*, or Letter 967, *Consent Extending Period of Limitation Transmittal*, along with a Letter 937, *Transmittal for Power of Attorney*, if the taxpayer has a representative.<sup>5</sup> Included with these letters should be the actual consent forms to be signed as well as Publication 1035, which includes a more detailed explanation of the taxpayer's rights and available options. IRS internal procedures also require that any notice or other written communication required to be given to a taxpayer also be given to the taxpayer's representative (unless restricted by the taxpayer). Figure 3 is an excerpt of Letter 907.

**Figure 3: Excerpt of Letter 907**

Dear [enter Name]:

The limitation period allowed by law for assessing additional tax on your federal tax return will expire soon. Therefore, we request that you consent to extend the period for assessment.

We have enclosed copies of consent Form \_\_\_\_\_, which extends the statute of limitation period. Before signing this form, it is important that you understand your rights concerning consents, which are as follows:

- 1) You have the right to refuse to extend the limitation period
- 2) You have the right to request the extension be limited to particular issues held open for further examination or appeal.
- 3) You have the right to request the limitation period be limited to a specific date.

If you wish to exercise any of your rights mentioned above, please review the enclosed Publication 1035 *Extending the Tax Assessment Period*, for a more detailed explanation of your rights, options, and procedures.

*Source: Letter 907.*

The Treasury Inspector General for Tax Administration has completed 23 statutory reviews (Fiscal Years 2000 through 2022) of the IRS's compliance with requirements for requesting extensions of a taxpayer's statute of limitations for assessments.

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<sup>5</sup> IRM 25.6.22.3(5) and (6), *Notification of Taxpayer's Rights* (Mar. 26, 2019).

## **Results of Review**

The IRS complied with legal requirements to notify taxpayers of their rights when requesting an extension of the statute of limitations for assessing additional taxes and penalties. However, employees did not always follow internal IRS requirements to document that detailed letters were sent further explaining the taxpayers' rights to both the taxpayers and taxpayers' representatives.

### **The IRS Complied With Legal Requirements Related to Requests to Extend the Assessment Statute**

We reviewed a stratified statistical sample of 53 closed taxpayer audit files for cases in which taxpayers granted the IRS an extension of the statute expiration date and found that the IRS complied with legal requirements. We did not identify any instances in which the IRS failed to provide notice to the taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or to specific issues. In all 53 taxpayer audit files, the legal requirements were satisfied when the taxpayers or the taxpayers' representatives signed Forms 872 or SS-10, because the taxpayers' rights are clearly specified on the front of the forms.

### **Internal Requirements for Notifying Taxpayers and Their Representatives of Taxpayers' Rights Were Not Always Followed**

Seven (13.2 percent) of the 53 sampled taxpayer audit files reviewed did not contain the required documentation to indicate proper notification was provided to the taxpayers and/or the taxpayers' representatives of their rights as required by IRS internal procedures.<sup>6</sup> Specifically, Letter 907, Letter 967, and/or Letter 937 were not found in these seven audit files. According to the IRS, the reason for the missing documentation in these cases was that the examiners erroneously omitted documents from the audit files.

- [REDACTED] of the audit files did not contain documentation to indicate whether taxpayers were properly notified of their rights as required by IRS internal procedures. These internal procedures require a Letter 907 or Letter 967 in the audit file and the activity log be appropriately documented to show that notification to the taxpayer was made. Based on our sample results, from a universe of 5,299 closed Business Master File (BMF) and Individual Master File (IMF) taxpayer audit files with assessment statute extensions between October 1, 2021, and September 30, 2022, we project that there

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<sup>6</sup> We selected a stratified statistical sample with two strata. For Strata 1 (BMF), we used a 90 percent confidence interval, a 5 percent error rate, and a  $\pm 5.3$  percent precision factor. When projecting the results of our statistical sample, we are 90 percent confident that the actual total amount is between 20 and 580. For Strata 2 (IMF), we used a 90 percent confidence interval, a 5 percent error rate, and a  $\pm 5.3$  percent precision factor. When projecting the results of our statistical sample, we are 90 percent confident that the actual total amount is between 148 and 852. Sample results from the separate strata were combined into an estimate for the entire population.



were approximately 300 taxpayer audit files that did not contain documentation to show that the taxpayers were properly notified of their rights when the assessment statutes were extended.<sup>7</sup>

- [REDACTED] of the audit files did not contain documentation to support that the taxpayers' representatives were provided with the required notifications. IRS internal procedures require Letter 937, Letter 907, or Letter 967 in the audit file and the activity log be appropriately documented to show that notification to the taxpayer's representative was made. Based on our sample results, from a universe of 5,299 taxpayer audit files with assessment statute extensions between October 1, 2021, and September 30, 2022, we project there were approximately 500 taxpayer audit files that did not contain documentation to support that the taxpayers' representatives were provided with the required notifications.

The fact that we could not identify the required documentation in the audit files does not mean that the taxpayers or their representatives were not notified of the taxpayers' rights. However, based upon the information available, we could not determine if the taxpayers or their representatives were properly notified of the taxpayers' rights in accordance with IRS internal procedures. IRS employees and their managers did not follow procedures to properly document the audit files as required by policy.

**Recommendation 1:** The Commissioner, Small Business/Self-Employed Division, and the Commissioner, Large Business and International Division, should reaffirm documentation requirements with employees involved in requesting assessment statute of limitations extensions to ensure that taxpayers and/or their representatives are properly advised of their rights as required by IRS internal procedures.

**Management's Response:** The IRS agreed with our recommendation. The Director, Examination Field and Campus Policy, Small Business/Self-Employed Division, plans to issue an official communication reaffirming documentation requirements to division employees who have the authority to solicit extensions of the assessment statute of limitations. The Assistant Deputy Commissioner Compliance Integration, Large Business and International Division, issued an informational article in July 2023 regarding examiners' requirements when soliciting a statute of limitation extension and plans to continue reaffirming documentation requirements for division employees involved in requesting assessment statute extensions.

## **The IRS Continues to Have Difficulties Providing Requested Files**

Similar to our prior three reviews, the IRS was unable to provide most of the taxpayer audit files that we requested for this review. In December 2022, we ordered 106 closed audit files to obtain our designated sample, 92 of these were paper audit files and 14 were electronic audit files. By March 9, 2023, we had only received seven (7.6 percent) of the 92 paper audit files ordered. As a result, from our list of oversampled replacement audit files we obtained available

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<sup>7</sup> The BMF is 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. The IMF is the IRS database that maintains transactions or records of individual tax accounts. Our sample consisted of two strata: BMF (2,099) and IMF (3,200) closed taxpayer audit files for which the assessment statute was extended, and the examination subsequently closed.

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electronic files and replaced those unreceived cases. The IRS stated that the following issues contributed to its inability to provide the requested documents.

- The IRS is still recovering from the effects of the Coronavirus Disease 2019 pandemic office closures and delays.
- Files personnel are assisting in other processes.
- The IRS is experiencing attrition, staffing, and recruitment challenges.

## **Appendix I**

### **Detailed Objective, Scope, and Methodology**

The overall objective of this audit was to determine whether the IRS complied with I.R.C. § 6501(c)(4)(B), which requires the IRS to provide notice to taxpayers of their right to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or to specific issues. To accomplish our objective, we:

- Determined whether taxpayers and their designated representatives were advised of their rights when the IRS requested an extension of the assessment statute.
- Reviewed the IRM, IRS memoranda, and other guidelines, as applicable, and identified if there were any changes since our last audit to existing procedures and practices for notifying taxpayers and their representatives when requesting to extend the assessment statute of limitations.
- Selected a stratified statistical sample from our universe of 5,299 closed BMF (2,099) and IMF (3,200) taxpayer audit files for which the assessment statute of limitations was extended between October 1, 2021, and September 30, 2022. Our stratified sample was selected using a 90 percent confidence interval, a 5 percent error rate, and a  $\pm 5.3$  percent precision factor. We used a statistical sample because we planned to project to the population. The Treasury Inspector General for Tax Administration's contracted statistician assisted with developing the stratified sampling plan.
- Estimated the potential number of taxpayer audit files that properly documented notification was provided to the taxpayers and/or the taxpayers' representatives of their rights as required by IRS internal procedures.

#### **Performance of This Review**

This review was performed with information obtained from Appeals, the Large Business and International Division, the Small Business/Self-Employed Division, the Tax Exempt and Government Entities Division, and the Wage and Investment Division Headquarters located in Washington, D.C., during the period October 2022 through June 2023. 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 Bryce Kisler, Assistant Inspector General for Audit (Management Services and Exempt Organizations); Glen Rhoades, Director; Meaghan Tocco, Audit Manager; and Evan Close, Lead Auditor.

#### **Validity and Reliability of Data From Computer-Based Systems**

We evaluated the data extracts by performing tests to assess the reliability of the data obtained from the BMF and the IMF. We also evaluated the data by running queries on the population to

ensure that the data met our criteria, and no information was missing or incomplete. 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: the policies, procedures, and practices used by Appeals, the Large Business and International Division, the Small Business/Self-Employed Division, the Tax Exempt and Government Entities Division, and the Wage and Investment Division as they relate to notifying taxpayers, and their designated third-party representatives, of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or to specific issues. We evaluated these controls by reviewing the IRM, confirming documentation found in the audit file such as Form 872 or Form SS-10, and reviewing a stratified statistical sample of 53 taxpayer audit files.

## Appendix II

### Outcome Measures

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

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

- Reliability of Information – Potential; 100 BMF taxpayer audit files that did not contain documentation to show that the taxpayers were properly notified of their rights when the assessment statutes were extended (see Recommendation 1).
- Reliability of Information – Potential; 200 IMF taxpayer audit files that did not contain documentation to show that the taxpayers were properly notified of their rights when the assessment statutes were extended (see Recommendation 1).

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

We analyzed our sample of 53 audit files from a universe of 5,299 closed BMF and IMF taxpayer audit files with assessment statute extensions between October 1, 2021, and September 30, 2022. [REDACTED] of the 53 taxpayer audit files reviewed did not contain documentation to indicate proper notification was provided to the taxpayers of their rights as required by IRS internal procedures, *i.e.*, Letter 907 or Letter 967 was not in the audit file and the activity log was not appropriately documented to show that notification to the taxpayer was made.<sup>1</sup>

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

- Reliability of Information – Potential; 300 BMF taxpayer audit files that did not contain documentation to support that the taxpayers' representatives were provided with the required notifications (see Recommendation 1).
- Reliability of Information – Potential; 200 IMF taxpayer audit files that did not contain documentation to support that the taxpayers' representatives were provided with the required notifications (see Recommendation 1).

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

We analyzed our sample of 53 audit files from a universe of 5,299 closed BMF and IMF taxpayer audit files with assessment statute extensions between October 1, 2021, and September 30, 2022. [REDACTED] of the audit files did not contain documentation to support that the taxpayers' representatives were provided with the required notifications,

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<sup>1</sup> Our sample was selected using a 90 percent confidence interval, a 5 percent error rate, and a  $\pm 5.3$  percent precision factor. When projecting the results of our statistical sample, we are 90 percent confident that the actual total amount is between 20 and 580.

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*i.e.*, Letter 937, Letter 907, or Letter 967 was not in the audit file and the activity log was not appropriately documented to show that notification to the taxpayer's representative was made).<sup>2</sup>

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<sup>2</sup> Our sample was selected using a 90 percent confidence interval, a 5 percent error rate, and a  $\pm 5.3$  percent precision factor. When projecting the results of our statistical sample, we are 90 percent confident that the actual total amount is between 148 and 852.

## Appendix III

### Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, DC 20224

August 14, 2023

MEMORANDUM FOR HEATHER M. HILL  
DEPUTY INSPECTOR GENERAL FOR AUDIT

**FROM:** Holly O. Paz Digitally signed by Holly O. Paz  
Date: 2023.08.14 14:20:36  
+0400  
Commissioner, Large Business and International Division

**SUBJECT:** Draft Audit Report – Fiscal Year 2023 Statutory Review of  
Compliance With Notifying Taxpayers of Their Rights When  
Requested to Extend the Assessment Statute (Audit #  
202310022)

Thank you for the opportunity to respond to the above referenced draft report with respect to TIGTA's statutorily mandated annual review of IRS compliance with requirement for taxpayer notification when requesting an extension of the assessment statute of limitations.

As noted in the report, in all the cases you reviewed, the IRS was compliant with the legal requirement to notify taxpayers of their rights when requesting an extension of the assessment statute of limitations. We appreciate your acknowledgement that no instances were found in which the IRS failed to provide notice to the taxpayers of their right to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or to specific issues.

The report's findings demonstrate our commitment to protecting taxpayer rights and providing good taxpayer service. Indeed, the IRS continually reaffirms the documentation requirements with our employees involved in requesting assessment statute extensions through employee communications, continuing professional education, training sessions, group meetings, and other means.

Attached is our response to your recommendation. If you have any questions, please contact me, or members of your staff may contact Theodore D. Setzer, Assistant Deputy Commissioner Compliance Integration.

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Attachment

**RECOMMENDATION 1:** The Commissioner, Small Business/Self-Employed Division, and the Commissioner, Large Business and International Division, should reaffirm documentation requirements with employees involved in requesting assessment statute of limitations extensions to ensure that taxpayers and/or their representatives are properly advised of their rights as required by IRS internal procedures.

**CORRECTIVE ACTION:** SB/SE will issue an official communication to employees who have the authority to solicit extensions of the assessment statute of limitations. The communication will reaffirm documentation requirements in accordance with IRS internal procedures.

LB&I continually reaffirms the documentation requirements with our employees involved in requesting assessment statute extensions, through employee communications, continuing professional education, training sessions, group meetings, and other means. On July 3rd, 2023, LB&I Frontline included an article regarding examiners' requirements when soliciting a statute of limitation extension. LB&I Frontline is emailed to every LB&I employee. The article included links to information included in the virtual library and IRM sites.

**RESPONSIBLE OFFICIAL:** Director, Examination Field and Campus Policy, Small Business/Self-Employed Division, and the Assistant Deputy Commissioner Compliance Integration, Large Business and International Division.

**IMPLEMENTATION DATE:** Director, Examination Field and Campus Policy, Small Business/Self-Employed Division: March 15, 2024.

Assistant Deputy Commissioner Compliance Integration, Large Business and International Division: Implemented.

**CORRECTIVE ACTION MONITORING PLAN:**  
We will monitor this corrective action as part of our internal management control system.



## Appendix IV

### Abbreviations

BMF	Business Master File
IMF	Individual Master File
I.R.C.	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service



**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.