



*Fiscal Year 2013 Statutory Audit of
Compliance With Notifying Taxpayers
of Their Rights When Requested to
Extend the Assessment Statute*

July 26, 2013

Reference Number: 2013-30-071

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.

Redaction Legend:

1 = Tax Return/Return Information

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HIGHLIGHTS

FISCAL YEAR 2013 STATUTORY AUDIT OF COMPLIANCE WITH NOTIFYING TAXPAYERS OF THEIR RIGHTS WHEN REQUESTED TO EXTEND THE ASSESSMENT STATUTE

Highlights

Final Report issued on July 26, 2013

Highlights of Reference Number: 2013-30-071 to the Internal Revenue Service Office of the Deputy Commissioner for Services and Enforcement.

IMPACT ON TAXPAYERS

The IRS is required to notify taxpayers of their rights when requesting an extension of the statute of limitations for assessing additional taxes and penalties. Based on the results of this review, TIGTA believes the IRS is complying with the intent of the law; however, there were

Taxpayers might be adversely affected if the IRS does not follow requirements to notify both the taxpayers and their representatives of the taxpayers' rights related to statute extensions.

WHY TIGTA DID THE AUDIT

TIGTA is required by law to annually determine whether the IRS complied with Internal Revenue Code Section 6501(c)(4)(B), which requires the IRS to notify taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to specific issues or a specific period of time.

WHAT TIGTA FOUND

TIGTA's review of a statistical sample of 51 closed taxpayer audit files with statute extensions found that the IRS is compliant with Internal Revenue Code Section 6501(c)(4)(B). However,

In addition, TIGTA's review found instances in which there was no documentation to support that the IRS complied with IRS procedures related to notifying taxpayers' representatives when an authorization for third-party representation existed. TIGTA's review of 36 taxpayer audit files that had authorizations for third-party representation

WHAT TIGTA RECOMMENDED

TIGTA did not make any recommendations in this report because the number of errors was relatively small and recommendations made in previous TIGTA audit reports are still valid for the issues reported. Although TIGTA made no recommendations in this report, IRS officials were provided an opportunity to review the draft report. IRS management did not provide any report comments.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

July 26, 2013

MEMORANDUM FOR OFFICE OF THE DEPUTY COMMISSIONER FOR SERVICES AND
ENFORCEMENT

FROM:

Michael E. McKenney
Acting Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – Fiscal Year 2013 Statutory Audit of Compliance
With Notifying Taxpayers of Their Rights When Requested to Extend
the Assessment Statute (Audit # 201330009)

This report presents the result of our review to determine whether the Internal Revenue Service (IRS) was complying with Internal Revenue Code Section 6501(c)(4)(B), which requires that the IRS provide notice to taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or specific issues. The Treasury Inspector General for Tax Administration is statutorily required to provide information annually regarding the IRS's compliance with this provision. The review is part of our Fiscal Year 2013 Annual Audit Plan and addresses the major management challenge of Taxpayer Protection and Rights.

Although we made no recommendations in this report, IRS officials were provided an opportunity to review the draft report. IRS management did not provide any report comments.

Copies of this report are also being sent to the IRS managers affected by this report. If you have any questions, please contact me or Augusta R. Cook, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations).



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Abbreviations

| | |
|--------|---|
| BMF | Business Master File |
| IMF | Individual Master File |
| I.R.C. | Internal Revenue Code |
| IRS | Internal Revenue Service |
| RRA 98 | Restructuring and Reform Act of 1998 |
| TIGTA | Treasury Inspector General for Tax Administration |



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Background

The Internal Revenue Service (IRS) is required by the IRS Restructuring and Reform Act of 1998 (RRA 98)¹ and the Internal Revenue Code (I.R.C.)² to advise taxpayers of their rights when requesting an extension of the statute of limitations for the assessment of additional taxes and penalties. When the IRS audits a tax return and determines that there is an additional tax liability, the additional tax assessment must generally be processed within three years from the date the return was due or from the date on which 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.³ To extend the statute, the IRS generally requests that the taxpayer(s) provide a signed consent form, either Form 872, *Consent to Extend the Time to Assess Tax*, or Form SS-10, *Consent to Extend the Time to Assess Employment Taxes*.⁴

The IRS is required to advise taxpayers of their rights when requesting an extension of the statute of limitations for the assessment of additional taxes and penalties.

These consents extend the assessment statute of limitations to either a specific period of time or an unlimited, indefinite period. The statute is usually extended for a period of time that both the IRS and the taxpayer agree is reasonable to complete the examination. The consent can also be negotiated to apply only to certain audit issues.

In passing the RRA 98, Congress expressed concern that taxpayers had not always been fully aware of their rights to refuse to extend the statute of limitations or to request that a statute extension be limited to specific issues or a specific period of time. Some taxpayers might believe that they are required to agree to an extension upon the request of the IRS. Congress wanted to ensure that taxpayers were informed of their rights to refuse the proposed statute extension or to have it limited.

¹ RRA 98 § 3461(b)(2)(B), 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.).

² I.R.C. § 6501(c)(4)(B).

³ 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.

⁴ IRS employees who often request assessment statute extensions are examiners in the various Examination functions of the business divisions and appeals officers in the Office of Appeals.



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

- The taxpayer might want to pursue additional audit issues that are in the taxpayer's favor in offsetting a proposed tax assessment or that might allow for a tax refund.
- If the remaining time before the statute expires is too short, the IRS might have to prematurely stop the audit process and issue a notice of deficiency that limits the time for the normal appeals process before the taxpayer must file a petition with the U.S. Tax Court.

A taxpayer might decide to limit or refuse to extend the assessment statute of limitations because the taxpayer might not want to:

- Provide the IRS more time to consider additional audit issues.
- Allow the IRS the opportunity to further develop audit issues already under consideration after the normal statute period has expired.

RRA 98 Section (§) 3461(b)(2)(B) requires the IRS to "...notify the taxpayer of the taxpayer's right to refuse to extend the period of limitations, or to limit such extension to particular issues or to a particular period of time, on each occasion when the taxpayer is requested to provide such consent." To implement this statutory requirement, the IRS revised its procedures to direct IRS employees to provide the taxpayer with a Letter 907, *Request to Extend Assessment Statute*, or Letter 967, *Letter Transmitting Consent Extending Period of Limitation*. Included with these letters should be the actual consent forms to be signed and Publication 1035, *Extending the Tax Assessment Period*.

The RRA 98 requires taxpayers to be informed of their rights to refuse to extend the period of limitations or to limit the extension to specific issues or a period of time.

The consent forms include a prominent statement informing taxpayers of their rights regarding assessment statute extensions and provide information about Publication 1035. Figure 1 shows that the consent forms also include a statement for the taxpayers' representatives to sign, confirming they were notified of their rights regarding assessment statute extensions and the taxpayers were made aware of the same rights.



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Figure 1: Excerpt From Form 872

| | | |
|--------------------------------------|--|---------------------------------|
| Form 872 (Rev. April 2012) | Department of the Treasury-Internal Revenue Service Consent to Extend the Time to Assess Tax | In reply refer to: <hr/> TIN |
|--------------------------------------|--|---------------------------------|

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 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.

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.

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

IRS procedures 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).⁵ IRS employees are instructed to document in their audit file activity log whether the taxpayer was notified of his or her rights each time the IRS requested an assessment statute extension. In addition, IRS internal procedures require employees to provide copies of any correspondence with a taxpayer's representative to the taxpayer.

The Treasury Inspector General for Tax Administration (TIGTA) is required by the RRA 98 to provide information annually regarding the IRS's compliance with I.R.C. § 6501(c)(4)(B). This report presents the results of our fourteenth annual review of the IRS's compliance with the statute extension provisions of the law.⁶

This review was performed with information obtained from the Office of Appeals, Large Business and International Division, Small Business/Self-Employed Division, Tax Exempt and Government Entities Division, and Wage and Investment Division during the period November 2012 through April 2013. We conducted this performance audit in accordance with

⁵ Conference and Practice Requirements, Statement of Procedural Rules, 26 C.F.R. § 601.506 (2002).

⁶ See Appendix V for a list of our prior reports.



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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

*****1*****
*****1*****
*****1*****

Our review of 51 closed audit files in which taxpayers signed consents to extend the statute showed that the IRS is compliant with I.R.C. § 6501(c)(4)(B). ***1***7 *****

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*****1*****
*****1*****
*****1*****
*****1*****
*****1*****
****1****.

IRS procedures require employees to provide copies of any correspondence with the representative to the taxpayer. Specifically, the Internal Revenue Manual⁸ states that "...notification must be made to the taxpayer...and the taxpayer's representative..."

The notification process is also explained in Publication 947, Practice Before the IRS and Power of Attorney, in which the IRS informs the taxpayer:

If you have a recognized representative, you and the representative will routinely receive notices and other correspondence from the IRS...the IRS will send your representative(s) a duplicate of all computer-generated correspondence that is sent to you.... The IRS employee handling the case is responsible for ensuring that the original and any requested copies of each manually-generated [sic] correspondence are sent to you and your representative(s) in accordance with your authorization.

*****1*****
*****1*****

IRS procedures and publications are clear that both the taxpayer and the taxpayer's representative are to be provided with notices, including notification of the taxpayer's rights.

We determined whether IRS employees had advised taxpayers of their rights and considered the notification sufficient if any of the required documentation appeared to have been given to the

7 *****1*****
*****1*****
*****1*****

8 Internal Revenue Manual 25.6.22 (Aug. 26, 2011).



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taxpayers or a log entry to that effect was found in the related taxpayer audit files. The fact that we could not identify the required documentation in the audit file does not mean the taxpayers were not informed of their rights. However, based upon the information available to us, we could not determine if the IRS directly informed the taxpayers.

Taxpayers could be negatively affected if the IRS does not comply with internal procedures requiring that taxpayers be directly notified of their rights related to extensions on the assessment statute of limitations. Based on our sample results, from a universe of 21,616 taxpayer audit files with statute extensions, we projected there *****1*****. *****1*****. *****1*****. We are 90 percent confident that the range of procedural errors is between 106 and 1,809 taxpayer audit files. However, because the number of errors was relatively small and consistent with prior years, we are not making any recommendations for this issue.

Some Audit Files Lacked Documentation to Support That Taxpayers' Representatives Were Appropriately Notified of Taxpayers' Rights As Required by Internal Revenue Service Procedures

IRS procedures require that any notice or other written communication required to be given to a taxpayer should also be given to the taxpayer's representative (unless restricted by the taxpayer).¹⁰ This requirement applies to all computer-generated or manually generated notices or other written communications. IRS employees are also instructed to document in their audit file activity log whether the taxpayer was notified of his or her rights each time the IRS requested an assessment statute extension.

While IRS employees documented that the taxpayers were informed of their rights and the taxpayers signed the extensions, *****1*****. *****1*****. *****1*****. Our review of a statistical sample of 51 taxpayer audit files included 36 taxpayer audit files that had authorizations for third parties to represent the taxpayers before the IRS. Of these 36 taxpayers, *****¹¹ *****1*****. Based on our sample results, from a universe of 21,616 taxpayer audit files with statute extensions, we

⁹ See Appendix IV for details.

¹⁰ Conference and Practice Requirements, Statement of Procedural Rules, 26 C.F.R. § 601.506 (2002).

¹¹ *****1*****. *****1*****. *****1*****.



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projected¹² there were *****1*****
*****1*****. We are
90 percent confident that the range is between 106 and 1,809 taxpayer audit files. For these
taxpayers, IRS management officials informed us that some employees may have overlooked the
fact that the required information was not documented in the taxpayer audit files or the
documents were separated from the taxpayer audit files.

*****1*****, we could not determine if
*****1*****. Taxpayers might be adversely affected
if the IRS does not follow requirements to notify both the taxpayers and their representatives of
the taxpayers' rights related to statute extensions. However, because the small number of errors
is consistent with prior year results and the recommendations made in our previous audit reports
are still valid for the issues reported, we are not making any new recommendations.

¹² Although we were able to determine that there were 36 taxpayer representatives in our sample of 51 taxpayer
audit files, we were unable to determine the true number of taxpayer representatives in our universe of
21,616 taxpayer audit files with statute extensions. Therefore, this projection is based on the 73 taxpayer audit
files reviewed and screened, which is further explained in Appendix IV.



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Appendix I

Detailed Objective, Scope, and Methodology

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

- I. Determined whether taxpayers and their designated representatives are being advised of their rights when the IRS requests to extend the assessment statute of limitations.
 - A. Reviewed the Internal Revenue Manual¹ to determine if there were any changes to existing policies and procedures for processing requests to extend the assessment statute of limitations since our last audit.
 - B. Identified a universe of 21,616 taxpayer audit files from the combined Individual Master File (IMF)² and Business Master File (BMF)³ with closed examinations for which the assessment statute was extended. The period covered the IMF and BMF taxpayer audit files for which the assessment statute was extended between October 1, 2011, and September 30, 2012.
 1. Validated the IMF and the BMF data by examining a judgmental sample of 30 (15 from each Master File extract) taxpayer audit files. This judgmental sample was used for data validation and not for projecting or reporting results. The validation test results demonstrated that the data were reliable and could be used to meet the objective of this audit.
 2. Developed a statistical sampling plan using a 90 percent confidence level, a 5 percent expected error rate, and a ± 5 percent precision, which resulted in a minimum sample size of 51 taxpayer audit files. A statistical sample was taken because we wanted to estimate the number of taxpayers in the universe for which taxpayer rights were potentially affected. A contracted statistician reviewed our methodology and projections.

¹ Internal Revenue Manual 25.6.22 (Aug. 26, 2011).

² The IRS database that maintains transactions or records of individual tax accounts.

³ 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.



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3. Used RAT-STATS⁴ to select 288 taxpayer audit files from the universe identified in Step I.B. We selected more than our sample of 51 taxpayer audit files in the event that some of the files received were incomplete, *e.g.*, did not include all related tax years, audit file history notes, *etc.*, which would prevent us from performing our review of such files.
 4. Screened the taxpayer audit files in Step I.B.3. until we obtained our valid sample of 51 taxpayer audit files. Specifically, we screened 73 of the taxpayer audit files received. Of those 73 taxpayer audit files screened, we identified 51 complete taxpayer audit files that had statute extensions with the taxpayer's written consent.
- C. Reviewed the 51 selected taxpayer audit files and related audit files for the necessary documentation to verify whether taxpayers and their representatives, if applicable, were properly advised of their rights regarding assessment statute extensions. We then discussed exceptions with the appropriate business unit coordinator for agreement to the facts.

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 the following internal controls were relevant to our audit objective: the policies, procedures, and practices used by the Office of Appeals, Large Business and International Division, Small Business/Self-Employed Division, Tax Exempt and Government Entities Division, and Wage and Investment Division as they relate to notifying taxpayers of their rights to decline to extend the assessment statute of limitations or request that any extension be limited to specific issues or a specific period of time. We evaluated these controls by reviewing applicable Internal Revenue Manual sections and documentation, interviewing management from these functions, and reviewing a statistical sample of 51 taxpayer audit files.

⁴ The Office of Inspector General for the Department of Health and Human Services, Regional Advanced Techniques Staff (RATS) in San Francisco, California, initially developed the RAT-STATS statistical software package.



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Appendix II

Major Contributors to This Report

Augusta R. Cook, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations)

Frank Dunleavy, Director

Alan Lund, Audit Manager

Michelle Philpott, Audit Manager

Malissa Livingston, Lead Auditor

William Tran, Senior Auditor



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Appendix III

Report Distribution List

Principal Deputy Commissioner
Office of the Commissioner – Attn: Chief of Staff C
Chief, Appeals AP
Commissioner, Large Business and International Division SE:LB
Commissioner, Small Business/Self-Employed Division SE:S
Commissioner, Tax Exempt and Government Entities Division SE:T
Commissioner, Wage and Investment Division SE:W
Deputy Commissioner, Large Business and International Division (Domestic) SE:LB
Deputy Commissioner, Large Business and International Division (International), United States
Competent Authority SE:LB:IN
Deputy Commissioner, Services and Operations, Wage and Investment Division SE:W
Deputy Commissioner, Small Business/Self-Employed Division SE:S
Acting Deputy Commissioner, Tax Exempt and Government Entities Division SE:T
Acting Director, Communications and Liaison, Wage and Investment Division SE:W:C
Acting Director, Government Entities, Tax Exempt and Government Entities Division SE:T:GE
Director, Campus Compliance Services, Small Business/Self-Employed Division SE:S:CCS
Director, Communications and Liaison, Tax Exempt and Government Entities Division
SE:T:CL
Director, Communications, Liaison, and Disclosure, Small Business/Self-Employed Division
SE:S:CSO
Director, Compliance, Wage and Investment Division SE:W:CP
Director, Employee Plans, Tax Exempt and Government Entities Division SE:T:EP
Director, Examination, Small Business/Self-Employed Division SE:S:E
Director, Exempt Organizations, Tax Exempt and Government Entities Division SE:T:EO
Director, Pre-Filing and Technical Guidance, Large Business and International Division
SE:LB:PFTG
Director, Specialty Programs, Small Business/Self-Employed Division SE:S:SP
Director, Communication and Liaison, Large Business and International Division SE:LB:M:CL
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC



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Audit Liaisons:

Office of the Deputy Commissioner for Services and Enforcement SE
Commissioner, Large Business and International Division SE:LB
Commissioner, Small Business/Self-Employed Division SE:S
Commissioner, Tax Exempt and Government Entities Division SE:T
Commissioner, Wage and Investment Division SE:W
Chief, Appeals AP



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Appendix IV

Outcome Measures

This appendix presents detailed information on the measurable impact that current findings 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; *****1*****
*****1*****
*****1*****
****1***** (see page 5).

Methodology Used to Measure the Reported Benefit:

To determine the number of taxpayer audit files for which there was no documentation to support that the taxpayers were directly advised of their rights, we identified 21,616 taxpayer audit files from the universe of IMF and BMF¹ closed taxpayer audit files in which the assessment statute was extended and the examination subsequently closed. The period covered the IMF and BMF taxpayer audit files for which the assessment statute was extended between October 1, 2011, and September 30, 2012. We used a 90 percent confidence level, a 5 percent expected error rate, and a ±5 percent precision to determine our sample size of 51 taxpayer audit files.

We requested 288 taxpayer audit files for which the assessment statute was extended to ensure that we received enough audit files to meet our sample size of 51. After screening through 73 taxpayer audit files, we met our sample size of 51 taxpayer audit files. The remaining 22 taxpayer audit files were not included in our sample as they did not meet our criteria, *i.e.*, the audit file lacked a statute extension consent form.²

We reviewed the sample of 51 taxpayer audit files and identified *****1*****
*****1*****
1**. Given that we determined, as previously noted, that a percentage of our population

¹ The IMF is the IRS database that maintains transactions or records of individual tax accounts. 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.

² These 22 audit files included statute extensions due to procedural issues, which do not require the taxpayer’s consent to extend the statute. Therefore, we did not test these audit files to determine whether the IRS properly advised the taxpayer or the taxpayer’s representatives of the taxpayer’s rights.



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included taxpayer audit files that did not meet our criteria, i.e., the audit file lacked a statute extension consent form, we had to account for this when projecting our results to the population. Therefore, our error rate was based on the 51 taxpayer audit files we reviewed as well as the 22 taxpayer audit files that we screened that did not meet our criteria (22 + 51 = 73 taxpayer audit files). We then calculated our error rate by dividing the number of taxpayer audit files that did not contain documentation that the taxpayers were directly advised of their rights by the total number of taxpayer audit files that did not contain documentation that the taxpayers were directly advised of their rights. The range of lower and upper limits was then calculated using this error rate and a 90 percent confidence interval between 0.49 percent (lower limit) and 8.37 percent (upper limit). We are 90 percent confident that the range of procedural errors is between 106 and 1,809 taxpayer audit files.

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; (see page 6).

Methodology Used to Measure the Reported Benefit:

We reviewed the same sample of 51 taxpayer audit files and identified 36 taxpayer audit files that contained an authorization for a third party to represent the taxpayer before the IRS. Given that we determined, as previously noted, that a percentage of our population included taxpayer audit files that did not meet our criteria, i.e., the audit file lacked a statute extension consent form, we had to account for this when projecting our results to the population. Therefore, our error rate was based on the 51 taxpayer audit files we reviewed as well as the 22 taxpayer audit files that we screened that did not meet our criteria (22 + 51 = 73 taxpayer audit files). We then calculated our error rate by dividing the number of taxpayer audit files that did not contain documentation that the taxpayers' representatives were advised of the taxpayers' rights by the total number of taxpayer audit files that did not contain documentation that the taxpayers' representatives were advised of the taxpayers' rights. The range of lower and upper limits was then calculated using this error rate and a 90 percent confidence interval between 0.49 percent (lower limit) and 8.37 percent (upper limit). We are 90 percent confident that the range of errors is between 106 and 1,809 taxpayer audit files.



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Appendix V

Prior Reports on Compliance With Requests to Extend the Assessment Statute

TIGTA previously performed 13 mandatory audits in this subject area. These audits were:

TIGTA, Ref. No. 2012-30-102, *Fiscal Year 2012 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Sept. 2012).

TIGTA, Ref. No. 2011-30-055, *Fiscal Year 2011 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (June 2011).

TIGTA, Ref. No. 2010-30-103, *Fiscal Year 2010 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Aug. 2010).

TIGTA, Ref. No. 2009-30-113, *Fiscal Year 2009 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Aug. 2009).

TIGTA, Ref. No. 2008-40-127, *Fiscal Year 2008 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (June 2008).

TIGTA, Ref. No. 2007-40-167, *Fiscal Year 2007 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Aug. 2007).

TIGTA, Ref. No. 2006-40-163, *Fiscal Year 2006 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Sept. 2006).

TIGTA, Ref. No. 2005-40-112, *Fiscal Year 2005 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (July 2005).

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

TIGTA, Ref. No. 2003-40-193, *Fiscal Year 2003 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Sept. 2003).

TIGTA, Ref. No. 2002-40-175, *Improved Documentation Is Needed to Ensure Taxpayers Are Informed of Their Rights When Requested to Extend the Assessment Statute* (Sept. 2002).

TIGTA, Ref. No. 2001-10-157, *Most Taxpayers Are Advised of Their Rights Before Signing an Agreement to Extend the Assessment Statute of Limitations* (Sept. 2001).

TIGTA, Ref. No. 2000-10-142, *Information Provided to Taxpayers When Requesting Extensions of the Assessment Statute of Limitations Can Be Improved* (Sept. 2000).



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Appendix VI

Audit Review Results by Division

| Compliance With Requirement to Notify Taxpayers of Their Rights | Division¹ | | | | | Totals |
|--|-----------------------------|-----------------|--------------|--------------|----------------|---------------|
| | Appeals | LB&I | SB/SE | TE/GE | W&I | |
| Number of Taxpayer Audit Files That Did Not Contain Documentation That Taxpayers Were Directly Informed of Their Rights As Required by Internal Procedures | 0 | **1** | 0 | 0 | 0 | **1** |
| Number of Taxpayer Audit Files Reviewed | 10 | 12 | 27 | **1** | 0 | **1** |

| Compliance With Requirement to Notify Representatives of Taxpayer Rights | Division | | | | | Totals |
|--|-----------------|-----------------|--------------|--------------|----------------|---------------|
| | Appeals | LB&I | SB/SE | TE/GE | W&I | |
| Number of Taxpayer Audit Files That Did Not Contain Documentation That Taxpayers' Representatives Were Provided With Copies of the Notification of the Taxpayers' Rights | 0 | **1** | 0 | 0 | 0 | **1** |
| Number of Taxpayer Audit Files Reviewed | 8 | 7 | 21 | 0 | 0 | 36 |

¹ Office of Appeals, Large Business and International (LB&I) Division, Small Business/Self-Employed (SB/SE) Division, Tax Exempt and Government Entities (TE/GE) Division, and Wage and Investment (W&I) Division.