

# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



## **Fiscal Year 2023 Statutory Review of Compliance With Legal Guidelines When Issuing Levies**

September 26, 2023

Report Number: 2023-30-066

**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.**

# HIGHLIGHTS: Fiscal Year 2023 Statutory Review of Compliance With Legal Guidelines When Issuing Levies

Final Audit Report issued on September 26, 2023

Report Number 2023-30-066

## Why TIGTA Did This Audit

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

## Impact on Tax Administration

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

## What TIGTA Found

TIGTA reviewed levies issued by the Automated Levy Programs for more than 2 million taxpayers during the period July 1, 2021, through June 30, 2022, and certain levies issued by revenue officers. TIGTA identified 11,258 instances of noncompliance that resulted in violations of taxpayers' rights and taxpayers being burdened. TIGTA identified the following violations:



**10,095 (estimated) taxpayers**

had levies erroneously issued while a CDP levy hearing was pending.



**561 taxpayers**

were not notified or timely notified of their CDP rights.



**121 taxpayers**

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



**481 taxpayers**

did not timely receive a post levy CDP notice.

This is a significant number of CDP violations. The majority (10,095) of the taxpayer rights violations occurred from the untimely input of taxpayers' CDP levy hearing requests by Automated Collection System Support due to an unexpected large initial volume of requests following the July 2021 restart of the Automated Levy Programs. Levy CDP notices had been suspended during the Coronavirus Disease 2019 pandemic. As a result, levies were issued while CDP hearings were pending, which is a violation of Internal Revenue Code § 6330. In addition, 561 taxpayers' rights were violated when they were not notified or timely notified of their CDP rights, including 374 who were not notified due to errors in the Print to Correspondence Production Services pilot program that was initiated in December 2019.

## What TIGTA Recommended

TIGTA made nine recommendations to help improve the proper issuance of levies by the IRS, including that the IRS should periodically conduct a study of CDP levy hearing requests Form 12153, *Request for a Collection Due Process or Equivalent Hearing*. This will allow the IRS to determine the average time frame from when CDP levy hearing requests are received to when they are input into the CDP tracking system to determine a reasonable time frame to begin taking levy action against a taxpayer after they have been issued their CDP notice.

IRS management agreed with eight of the recommendations and partially agreed with one recommendation.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

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

September 26, 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 Legal Guidelines When Issuing Levies (Audit # 202330003)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) complied with the IRS Restructuring and Reform Act of 1998 requirements and IRS policy to notify taxpayers and their authorized representatives of the right to a Collection Due Process levy hearing prior to issuing levies and to suspend levy action during the time frames required pursuant to Internal Revenue Code § 6330. This review is part of our Fiscal Year 2023 Annual Audit Plan and addresses the major management and performance challenge of *Improving Taxpayer Service* which includes protection of taxpayer rights.

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

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## **Background**

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

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

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

The IRS Restructuring and Reform Act of 1998 also added I.R.C. § 7803(d)(1)(A)(iv), which requires the Treasury Inspector General for Tax Administration (TIGTA) to annually verify whether the IRS is complying with the required procedures under I.R.C. § 6330.<sup>8</sup> TIGTA conducts multiple reviews each year focusing on different aspects of the IRS's implementation of

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

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

<sup>3</sup> Pub. L. No. 105-206, 112 Stat. 685 and I.R.C. §§ 6330(a)–(c) provide that taxpayers can raise "any relevant issue relating to the unpaid tax or the proposed levy, including (i) appropriate spousal defenses; (ii) challenges to the appropriateness of collection actions; and (iii) offers of collection alternatives which may include the posting of a bond, substitution of other assets, an installment agreement, or an offer in compromise."

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

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

<sup>6</sup> I.R.C. § 6330(b).

<sup>7</sup> I.R.C. § 6330(a)(3).

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

I.R.C. § 6330. This review focuses on whether the IRS provides the taxpayer with a notice of CDP appeal rights, generally required at least 30 calendar days before taking levy action, and whether levy action is suspended as required under I.R.C. § 6330 if the taxpayer requests a CDP levy hearing with the exception for those listed under I.R.C. § 6330(f). This is the 25<sup>th</sup> year in which we have evaluated the controls over levies. While levies can be issued for monetary or physical assets, this report specifically addresses levies of taxpayers' monetary assets.<sup>9</sup>

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

- IRS ACS sites contain collection representatives (and support staff) who interact with delinquent taxpayers by telephone to collect unpaid taxes and secure tax returns. The three types of levy issuance in the ACS function are:
  - Systemic levies – generated by the ACS Systemic Levy Program.
  - Paper levies – issued by collection representatives through the ACS.
  - Manual levies – issued by collection representatives after manually typing the levy.
- Field Collection employs revenue officers who contact taxpayers with delinquent accounts in person and over the telephone to resolve delinquent accounts. Delinquent accounts assigned to revenue officers in the field offices are controlled and monitored on the Integrated Collection System (ICS). The two types of levy issuance in the Field Collection function are:
  - Systemic levies – issued by revenue officers through the ICS.
  - Manual levies – issued by revenue officers after manually typing the levy.

Figure 1 shows the number of levies requested upon third parties by the ACS and Field Collection programs from Fiscal Years (FY) 2018 through 2022.

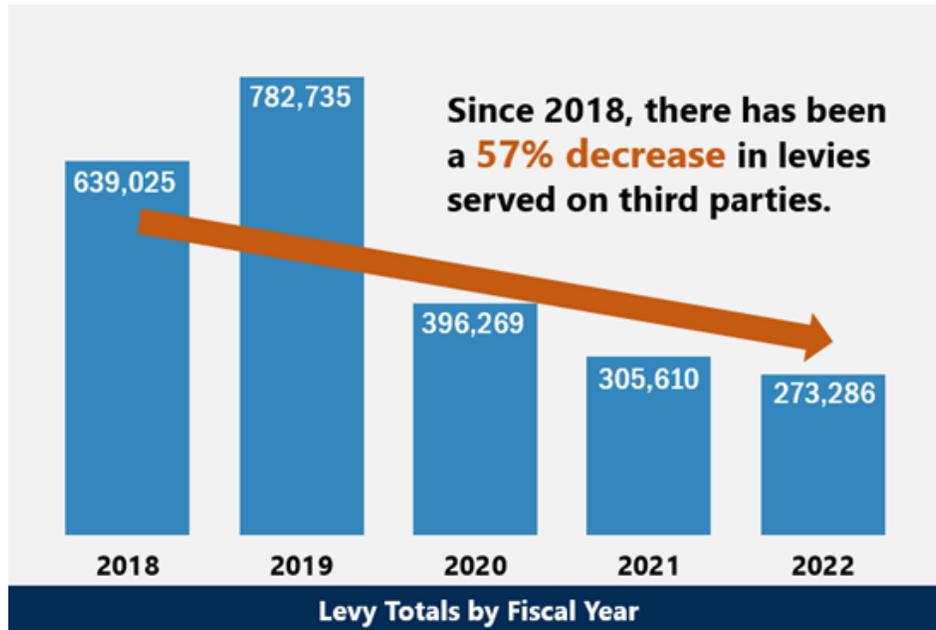
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<sup>9</sup> Examples of physical assets are real property, automobiles, and business inventory, the taking of which is commonly known as seizure. Annual reporting of seizures is covered by TIGTA in a separate review.

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

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

**Figure 1: Notices of Levy Served on Third Parties  
(FYs 2018 through 2022)**



Source: IRS Data Books FYs 2018 through 2022.

These levies have significantly declined in recent years due to the decision by IRS management to pause levy actions several times during the Coronavirus Disease 2019 pandemic. After having restarted these levies in July 2021, management again paused all ACS generated levies and ALP levies in January 2022. Additionally, in May 2023 the IRS Deputy Commissioner for Collection and Operations Support announced that certain collection notices (including levies) paused in the prior year would gradually resume, although the start dates had not been determined. Our research on these levies for the period April 1, 2022, through April 30, 2023, shows there were no ACS levies issued and about 304,000 Field Collection levies issued.

- The ALPs operate electronically without employee action and proceeds are received electronically. The four ALPs are:
  - Federal Payment Levy Program (FPLP) – Levy attaches to Federal disbursements due to an individual or business, such as Federal wages, retirement, vendor/contractor payments, and Social Security.
  - State Income Tax Levy Program (SITLP) – Levy attaches to participating State income tax refunds.
  - Municipal Tax Levy Program (MTLP) – Levy attaches to participating local municipal income tax refunds.
  - Alaska Permanent Fund Dividend Levy Program (AKPFD) – Levy attaches to the Permanent Fund Dividend distributed by Alaska.

Controls in the ACS, the ICS, and the ALP systems have been designed to help ensure that taxpayers are notified of their CDP rights at least 30 calendar days prior to the issuance of ACS

systemic and paper levies, ICS systemic levies, and ALP levies (when required).<sup>12</sup> However, there is a higher risk of IRS noncompliance with I.R.C. § 6330 and its related regulations and procedures when ACS collection representatives and revenue officers issue manual levies. This is because employees request these levies outside of the systemic controls that exist on the ACS and the ICS. In particular, ICS manual levies do not require manager approval. All ACS manual levies require manager or lead review, which helps to mitigate the risk of noncompliance with the law.<sup>13</sup>

The IRS has never tracked complete information about the issuance of ICS manual levies. In a prior review, IRS management informed us that they track the total number of manual levies issued by revenue officers.<sup>14</sup> However, the IRS does not collect any details about these levies, such as the taxpayer's identification number, the tax year, or the date of the levy; therefore, neither TIGTA nor IRS management can identify the exact population of manual levies issued by revenue officers during our review period. Generally, we perform data mining to search ICS history files for indications of these levies and test a sample as part of our review. In our levy review this year, we evaluated both ALP levies and ICS manual levies issued from July 1, 2021, through June 30, 2022.

## **Results of Review**

### **Thousands of Levies Issued by the Automated Levy Programs Did Not Comply With Legal Requirements**

This is the 25<sup>th</sup> year that TIGTA has conducted this audit, and we identified significant numbers of I.R.C. § 6330 violations in this review: 11,179 total violations, including:

- 10,095 estimated taxpayers had levies erroneously issued while a CDP levy hearing was pending.
- 463 taxpayers were not notified of their CDP rights.
- 501 taxpayers were not timely notified of their CDP rights.
- 120 taxpayers did not receive a new CDP notice after an additional tax assessment was made.

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

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

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

## **Thousands of FPLP levies did not comply with legal requirements**

Our review of a population of 1,784,934 taxpayers with FPLP levies issued during the period July 1, 2021, through June 30, 2022, determined that 99.5 percent of the levies were issued properly; however, we identified the following violations:

- 8,617 estimated taxpayers had levies erroneously issued while a CDP levy hearing was pending.
- 275 taxpayers were not notified of their CDP rights.
- 20 taxpayers were not timely notified of their CDP rights.
- 36 taxpayers did not receive a new CDP notice after an additional tax assessment was made.

The FPLP levies systemically attach to Federal disbursements due to an individual or business, such as Federal wages, retirement, vendor/contractor payments, and Social Security. Before this happens, taxpayers must receive the CDP notice for all tax years included in the levy at least 30 days prior to issuance.<sup>15</sup> If any of the balances have an additional tax assessment, the IRS must issue a new CDP notice for those balances. Finally, if the taxpayers request a CDP levy hearing, the IRS must suspend levy issuance while the hearing is pending.<sup>16</sup>

## **Thousands of FPLP levies were improperly issued while taxpayers had pending CDP levy hearings**

We identified 8,617 taxpayers that appeared to have been subjected to levies that were issued while a CDP levy hearing was pending. From the population of 8,617 potential violations, we selected a random sample of 153 taxpayer cases for IRS management to review and determine the causes. IRS management agreed that all 153 taxpayer cases were violations.

When mail containing a taxpayer's Form 12153, *Request for a Collection Due Process or Equivalent Hearing*, or a hand-written correspondence requesting a CDP levy hearing is received in the ACS Support function, it is sorted and reassigned to a protective inventory by the ACS Support clerical staff within two business days of receipt.<sup>17</sup> Within 10 business days of receipt in ACS Support, the request must be input into the CDP tracking system. This system updates the taxpayer's account to record receipt of a timely filed CDP levy hearing request in order to protect the taxpayer from prohibited collection activities while the hearing is pending.

IRS management stated that these violations occurred due to delays in inputting the CDP levy hearing request transaction code, which prevents automated levies from being issued. Management stated that the untimely input of CDP levy hearing transaction codes by ACS Support were due to an unanticipated high volume of CDP levy hearing requests, which outpaced the CDP staffing available following the July 2021 restart of the ALPs. ALP levies had

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<sup>15</sup> This does not include Disqualified Employment Tax and Federal Contractor Levies.

<sup>16</sup> This does not include Federal contractor taxpayers.

<sup>17</sup> ACS Support is a Compliance Operation, supporting ACS Call-Sites, resolving correspondence from taxpayers, their representatives, or third-party contacts. ACS CDP cases are received and prepared in four ACS Support sites. The Small Business/Self-Employed Division sites are Philadelphia, Pennsylvania, and Cincinnati, Ohio. The Wage and Investment Division sites are Kansas City, Missouri, and Fresno, California. Only CDP caseworkers in the four consolidated ACS Support sites have the authority to work the Form 12153 or its written equivalent. CDP cases are assigned to a protective inventory and prepared for Appeals as appropriate.

been suspended during the Coronavirus Disease 2019 pandemic. ALP levies were suspended again in January 2022. Management stated that the Automated Programs function is working on partial/gradual restart options for the next ALP restart to prevent this issue from occurring again.

Based on the population of 8,617 potential violations, using a 100 percent error rate and a two-sided 95 percent confidence interval, we estimate that all 8,617 taxpayers' rights were violated because they had levies issued while a CDP levy hearing was pending.<sup>18</sup> After reviewing the accounts of impacted taxpayers, the IRS identified 1,339 taxpayers with erroneous FPLP levy payments, totaling approximately \$3.6 million. As a result, Automated Programs management took corrective action and issued letters to the 1,339 taxpayers in June 2023, to offer a refund or obtain consent to retain the funds.

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

We identified 275 taxpayers that did not receive a CDP notice at least 30 days prior to a levy. Specifically, the CDP notice transaction posted on the taxpayers' accounts showed the letter was issued but subsequently was reversed, and the letter was not later reissued prior to the levy.

IRS management stated that these violations occurred due to systemic failure or revenue officer error as follows:

- 269 taxpayers – The revenue officers used the Print to Correspondence Production Services (CPS) option in the ICS to send the CDP notices; however, due to a systemic failure they were never mailed.<sup>19</sup> This issue resulted from errors in the Print to CPS function that was initiated in December 2019.<sup>20</sup> A review of this pilot program was performed during this audit and can be found in a later section in this report.
- 6 taxpayers – The revenue officers input the CDP notice transaction code but failed to mail the CDP notice before the FPLP levy was issued. When the revenue officers discovered their errors, they reversed the CDP notice transaction code. However, in these six instances, the CDP notice was never mailed by the revenue officers. Management stated that the revenue officers did not follow the ICS User Guide which

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<sup>18</sup> Our sample was selected using a 95 percent confidence interval, 10 percent error rate, and  $\pm 5$  percent precision factor. When projecting the results of our statistical sample, we are 95 percent confident that the actual total amount is between 8,414 and 8,617. See Appendix II for more details on how the projection was calculated.

<sup>19</sup> The CPS is an automated bulk processing facility which uses technology to efficiently support the full range of bulk correspondence mailing needs for the IRS. The CPS provides the full range of first-class volume and repetitive business correspondence mailing services to taxpayers. The CPS also provides other communications services for the IRS. The ICS added the CPS print option to the Letter 1058 series of letters in December 2019. The ICS batches Letters 1058 daily and CPS sites receive them the next business day for printing and mailing. This new option frees up ICS users from the burden of printing the Letter 1058, completing the certified mail receipt card, stuffing and mailing envelopes, and updating the appropriate transaction codes.

<sup>20</sup> In July 2023 IRS management informed us that the pilot program was paused in March 2023 to allow the Information Technology organization the opportunity to make essential programming changes. The application will not be restarted in FY 2023 and no date has been set to restart.

states that after printing and mailing or delivering a CDP notice to a taxpayer, the revenue officer is required to input the CDP notice transaction code.<sup>21</sup>

### **Some taxpayers with FPLP levies were not timely notified of their CDP rights**

We identified 20 taxpayers that were burdened when they did not receive their CDP rights timely.

IRS management stated that these violations occurred for two reasons as follows:

- 17 taxpayers – The revenue officers used the Print to CPS option in the ICS to send the CDP notices; however, due to a systemic failure the CDP notices were never mailed. The revenue officers reversed the CDP notice transaction code after the FPLP levy and issued another notice. This issue resulted from errors in the Print to CPS function that was initiated in December 2019. A review of this pilot program was performed during this audit and can be found in a later section in this report.
- 3 taxpayers – The revenue officers input the CDP notice transaction code but failed to mail the CDP notice before the FPLP levy was issued. When the revenue officers discovered their errors, they reversed the CDP notice transaction code. In these three instances, the revenue officers mailed the CDP notice after the FPLP levy was issued. Management stated that the revenue officers did not follow the ICS User Guide, which states that after printing and mailing or delivering a CDP notice to a taxpayer, revenue officers are required to input the CDP notice transaction code.

The IRS did not receive any erroneous proceeds from these taxpayers.

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

We identified 36 taxpayers with FPLP levies in which an additional tax assessment posted, and a new CDP notice was not issued prior to the levy.<sup>22</sup>

IRS management stated that the 36 violations occurred because the revenue officers used the Print to CPS option in the ICS to send the CDP notices, however, they were never mailed. This issue resulted from errors in the Print to CPS function that was initiated in December 2019. A review of this pilot program was performed during this audit and can be found in a later section in this report. The IRS did not receive any erroneous levy proceeds from these taxpayers.

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<sup>21</sup> The ICS User Guide is used as a reference guide for the operation of the ICS, which is a software application that revenue officers use to work Field Collection cases. The system allows them to document case actions, generate forms and correspondence, input and track time reporting, and process actions systemically with other collection systems.

<sup>22</sup> Of the violations identified, 35 taxpayers were also counted under the section in Federal Payment Levy Program where taxpayers were not notified of their CDP rights.

## **MTLP levies did not always comply with legal requirements**

Our analysis of the population of 284,643 taxpayers with MTLP levies issued during the period July 1, 2021, through June 30, 2022, determined that:

- 1,398 estimated taxpayers had levies erroneously issued while a CDP levy hearing was pending.
- 10 taxpayers were not notified of their CDP rights.
- 80 taxpayers did not receive a new CDP notice after an additional tax assessment was made.

The MTLP identifies refunds owed by participating municipalities to delinquent taxpayers. An identifier is added to those taxpayer accounts. When the taxpayer is due a municipal income tax refund, a Federal tax levy systemically attaches to the refunds and the proceeds are sent to the IRS. Taxpayers identified for MTLP levies must receive a CDP notice at least 30 days prior to the MTLP indicator being added to their account. If any of the taxpayers' balances have an additional tax assessment, then the IRS must issue a new CDP notice for those balances. Finally, if the taxpayer requests a CDP levy hearing, the IRS must suspend levy issuance while the hearing is pending.

## **Many MTLP levies were improperly issued while taxpayers had pending CDP levy hearings**

We identified 1,398 taxpayers that appeared to have levies issued while a CDP levy hearing was pending. From the population of 1,398 potential violations, we selected a random sample of 141 taxpayer cases for IRS management to review to determine the causes. IRS management reviewed the random sample and agreed that all 141 taxpayer cases were violations.

IRS management stated that these violations occurred due to delays in inputting the CDP levy hearing request transaction code, which prevents a levy from being issued. Management stated that untimely input of CDP levy hearing transaction codes by ACS Support were due to an unanticipated high volume of CDP levy hearing requests, which outpaced the CDP staffing available following the July 2021 restart of the ALPs. The ALPs were suspended again in January 2022. Automated Programs management is working on partial/gradual restart options for the next ALP restart to prevent this issue from occurring again.

Based on the population of 1,398 potential violations, using a 100 percent error rate and a two-sided 95 percent confidence interval, we estimate that all 1,398 taxpayers' rights were violated because they had levies issued while a CDP levy hearing was pending.<sup>23</sup> The IRS did not receive any erroneous levy proceeds from these taxpayers.

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

We identified 10 taxpayers whose rights were violated when the CDP notice transaction posted on the taxpayers' accounts showed the letter was issued but was subsequently reversed, and the

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<sup>23</sup> Our sample was selected using a 95 percent confidence interval, 10 percent error rate, and  $\pm 5$  percent precision factor. When projecting the results of our statistical sample, we are 95 percent confident that the actual total amount is between 1,364 and 1,398. See Appendix II for more details on how the projection was calculated.

letter was not later reissued prior to the levy. IRS management agreed and stated that the violations occurred for two reasons as follows:

- [REDACTED] – The revenue officers used the Print to CPS option in the ICS to send the CDP notices; however, they were never mailed. This issue resulted from errors in the Print to CPS function that was initiated in December 2019. A review of this pilot program was performed during this audit and can be found in a later section in this report.

- [REDACTED]

The IRS did not receive any erroneous levy proceeds from these taxpayers.

**Some taxpayers with MTLP levies were not notified of their CDP rights when additional tax assessments were made**

We identified 80 taxpayers with MTLP levies in which an additional tax assessment posted prior to the taxpayer’s levy and a new CDP notice was not issued.

IRS management stated that the 80 violations occurred because the CDP notice was posted on the same cycle or the cycle after the additional assessment. IRS management explained that programming for the MTLP needs to be adjusted to prevent a levy if the CDP notice posts to the same cycle or the following cycle of the additional assessment; stating that there is a lag between the issuance of the notice, the posting of the notice transaction code, and the notice itself may not be including the additional assessed amount owed. The IRS did not receive any erroneous levy proceeds from these taxpayers.

**Some AKPFD levies did not comply with legal requirements**

Our analysis of the population of 8,272 taxpayers with AKPFD levies issued during the period July 1, 2021, through June 30, 2022, determined that:

- 80 taxpayers had levies erroneously issued while a CDP levy hearing was pending.

- [REDACTED]

- [REDACTED]

The AKPFD levies attach to the Permanent Fund Dividend distributed by the State of Alaska. Before this happens, taxpayers must receive the CDP notice at least 30 days prior to levy for all balances due included on the levy. If any of the balances have an additional tax assessment, the IRS must issue a new CDP notice for those balances. Finally, if the taxpayer requests a CDP levy hearing, the IRS must suspend levy issuance while the hearing is pending.

### **Some AKPFD levies were improperly issued while taxpayers had pending CDP levy hearings**

We identified 80 taxpayers with levies that were issued while a CDP levy hearing was pending. IRS management agreed and stated that these violations occurred due to delays in inputting the CDP levy hearing request transaction code, which prevents a levy from being issued. Management stated that untimely input of CDP levy hearing transaction codes by ACS Support were due to an unanticipated high volume of CDP levy hearing requests, which outpaced the CDP staffing available following the July 2021 restart of the ALPs. The ALPs were suspended again in January 2022. Automated Programs management is working on partial/gradual restart options for the next restart to prevent this issue from occurring again.

The IRS received erroneous levy proceeds totaling \$45,133 from 34 of these taxpayers. [REDACTED]

### **Taxpayers were generally notified of their CDP rights for AKPFD levies**

We identified [REDACTED]

[REDACTED] This issue resulted from errors in the Print to CPS function that was initiated in December 2019. A review of this pilot program was performed during this audit and can be found in a later section in this report.

### **Taxpayers with AKPFD levies were generally notified of their CDP rights when additional tax assessments were made**

We identified [REDACTED]

[REDACTED] the AKPFD Program Requirements package did not have the “subsequent assessment” exclusion rule in its programming. The Information Technology organization will work on adding the rule to the exclusion run for the upcoming FY 2023 AKPFD Program season.

The IRS received erroneous levy proceeds totaling \$2,224 from [REDACTED]

### **Some SITLP levies did not comply with legal requirements**

Our analysis of the population of 163,421 taxpayers with SITLP levies issued during the period July 1, 2021, through June 30, 2022, determined that:

- 177 taxpayers were not notified of their CDP rights.

- 481 taxpayers were not timely notified of their CDP rights.

- [REDACTED]

The SITLP identifies qualifying tax debts in participating States. An identifier is added to these taxpayers' accounts. When the taxpayer is due a State income tax refund, a Federal tax levy attaches to the State income tax refunds and proceeds are sent to the IRS.

SITLP levies have different CDP requirements due to an exception in the law. For example, taxpayers must receive the CDP notice within a reasonable period after the levy for all balances included on the levy if a CDP notice was not provided prior to a levy. If any of those balances have an additional tax assessment, then the IRS must issue a new CDP notice for those balances. Finally, these types of levies are exempt from the statutory requirements for the IRS to suspend levy action while a CDP levy hearing is pending.

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

We identified 177 taxpayers that were not notified of their CDP rights. Specifically, we identified:

- 173 taxpayers that were not notified of their CDP rights. IRS management agreed and stated that this error occurred when participating States sent the incorrect taxpayer information to the Electronic Federal Tax Payment System payment file. IRS management manually monitors the State payments by running a monthly report to ensure that notices are issued and works with the States to resolve issues when payments are misapplied. The IRS received levy proceeds totaling \$235,341 from all 173 of these taxpayers that were not notified of their CDP rights until TIGTA brought it to IRS's attention during this review. As of July 2023, IRS management stated they have since issued CDP notices to these taxpayers.
- 4 taxpayers that were not notified of their CDP rights. For these taxpayers, the CDP notice transaction posted on the taxpayers' accounts showing the CDP letter was issued but was subsequently reversed and was not later reissued prior to or within a reasonable period after the levy. IRS management stated that these violations occurred for two reasons as follows:

- [REDACTED]
- [REDACTED]

The IRS received levy proceeds totaling \$22,203 from these four taxpayers that were not notified of their CDP rights until TIGTA brought it to IRS's attention during this review.

### **Some taxpayers with SITLP levies were not timely notified of their post-levy CDP rights**

We identified 481 taxpayers that were potentially burdened when they did not receive their post-levy CDP rights timely. As previously discussed, these levies require the CDP notice to be

sent to the taxpayer within a reasonable time period after the IRS receives levy proceeds.<sup>24</sup> We consider 30 days to be a reasonable period. These CDP notices ranged from 31 to 228 days.

IRS management stated that these notices were sent after 30 days for two reasons as follows:

- 322 taxpayers – The participating States sent the incorrect taxpayer information to the Electronic Federal Tax Payment System payment file. The IRS manually monitors the State payments by running a monthly report to ensure that notices are issued and works with the States to resolve issues when payments are misapplied.
- 159 taxpayers – IRS management explained that these errors occurred even though the systemic notice process started timely (within three weeks of receipt of the State levy proceeds); however, the process was delayed due to facts and circumstances of individual accounts such as pending transactions, dead cycles, and other factors that can affect the date the notice is mailed.

IRS management disagreed with all 481 of these violations based on I.R.C. § 6330 stating that the notice must be issued within a reasonable time period rather than a specific number of days. IRS management stated that after consulting with their attorneys, they determined that establishing a time frame of 30 days of receipt of levy proceeds to assess timeliness does not provide sufficient time to consider the individual facts and circumstances of the individual taxpayers' cases, including, but not limited to, offset transmission errors that are not within the IRS's control, which can contribute to the notice time frame.

The IRS received erroneous levy proceeds totaling \$155,548 from 164 of these taxpayers. We believe that it is burdensome to taxpayers to levy their State income tax refunds and not timely provide them with the notice informing them of their right to a CDP levy hearing. Of these taxpayers, about 64 percent did not receive their CDP notice until more than 60 days after the State income tax refund was levied. Although I.R.C. § 6330 allows the IRS to obtain these State income tax levy proceeds prior to providing taxpayers with these rights, it is important that taxpayers are afforded their rights timely.

**Some taxpayers with SITLP levies were not notified of their CDP rights when additional tax assessments were made**

We identified [REDACTED] with levies in which an additional tax assessment posted prior to the taxpayer's levy and a new CDP notice was not issued. IRS management agreed that these taxpayer's rights were violated.

IRS management stated that these violations occurred for two reasons as follows:

[REDACTED]

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<sup>24</sup> Per I.R.C. § 6330(f)(2), a levy on a State to collect a Federal tax liability from a State income tax refund is required to issue a CDP notice within a reasonable amount of time after the levy.

[REDACTED]

[REDACTED]

The IRS Restructuring and Reform Act of 1998 § 1204(b) requires IRS employees to be evaluated using the fair and equitable treatment of taxpayers as a performance standard. The IRS refers to this as “the retention standard.” The fair and equitable treatment of taxpayers applies to taxpayers whose rights to CDP hearings were violated by IRS actions. The IRS should consider the failure to observe written regulations, orders, rules, or procedures that result in the violation of CDP rights when evaluating employees’ performance or for misconduct, if such action on the part of the employee is intentional.

**Recommendation 1:** The Director, Collection Policy, Small Business/Self-Employed Division, should periodically conduct a study of CDP levy hearing requests (Form 12153) to determine the average time frame from when CDP levy hearing requests are received to when they are input into the CDP tracking system (for the ACS) or the ICS (for Field Collection). To prevent taxpayer rights violations, the results of this study should be used to determine a reasonable time frame to begin taking levy action against a taxpayer after they have been issued their CDP notice.

**Management’s Response:** The IRS agreed with this recommendation and will conduct a study of CDP levy hearing requests in both Field and Campus Collection to determine the average time frame from when CDP levy hearing requests are received to when they are input into either the CDP tracking system or the ICS. The results will be used to assess whether the existing time frames prior to taking levy action are reasonable or to recommend adjustments to those time frames.

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

**Recommendation 2:** Provide revenue officers with clarification and reinforcement of the procedures in the ICS User Guide to ensure that a CDP notice has been issued prior to the input of the CDP notice transaction code.

**Management’s Response:** The IRS agreed with this recommendation and will issue a communication to Field Collection employees with instructions related to Final Notice Delivery Method, Chapter 15, ICS User Guide. This guidance will emphasize proper input of delivery method after the CDP notice is issued.

**Recommendation 3:** Consider the failure to observe written regulations, orders, rules, or procedures that result in the violation of CDP rights when evaluating employees’ performance or for misconduct if such action on the part of the employee is intentional.

**Management’s Response:** The IRS agreed with this recommendation and will issue a reminder to Field Collection managers addressing their responsibilities and obligations related to violation of taxpayer rights and the process for reporting potential violations.

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

**Recommendation 4:** Work with the Information Technology organization to rectify the programming error pertaining to Municipal Tax Levies to prevent levy issuance when the CDP notice posts on the same cycle or following cycle of an additional assessment. Additionally, monitor the MTLT programming periodically to inspect for flaws that may be causing erroneous levies and timely rectify them to prevent further taxpayer rights violations.

**Management's Response:** The IRS agreed with this recommendation and stated that programming for this correction was implemented in June 2023. The IRS will periodically monitor for program flaws once the ALPs resume. The results of these reviews will be shared with the Information Technology organization for possible further program corrections, if needed.

**Recommendation 5:** Ensure corrective programming is implemented to the AKPFD to properly exclude taxpayers that have not received a new CDP notice after an additional assessment to ensure taxpayer rights are not violated.

**Management's Response:** The IRS agreed with this recommendation and stated that corrective programming was put into place in August 2023 to ensure taxpayers receive a new CDP notice after an additional assessment.

**Recommendation 6:** Monitor the SITLP periodically to determine whether improvements are needed to mitigate taxpayer rights violations and taxpayer burden. If improvements are warranted, corrective actions should be taken promptly.

**Management's Response:** The IRS agreed with this recommendation and will periodically monitor for program flaws and levy payment transfer errors when the ALPs resume. The results of these reviews will be shared with the Information Technology organization and/or levy payment State(s) for possible corrections, as needed.

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

According to the IRS, revenue officers issued an estimated 3,435 manual levies from July 1, 2021, through June 30, 2022. However, because details of these levies are not tracked by the IRS, we were unable to identify this population.<sup>25</sup> Therefore, through research of ICS history files, we identified and reviewed a judgmental sample of 30 ICS manual levies issued from July 1, 2021, through June 30, 2022.<sup>26</sup> Our review showed that taxpayers' rights were violated in three cases.

IRS management stated that these violations were due to employee errors as follows:

- [REDACTED]

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<sup>25</sup> See Appendix I for information on how we obtained the judgmental sample.

<sup>26</sup> A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.

- [REDACTED]

Revenue officers can request a levy outside of the ICS, using a paper levy form, which is a manual levy. These levies have the same CDP requirements, which are to provide the taxpayer a CDP notice at least 30 days prior to a levy and to provide a new CDP notice after an additional assessment occurs on a balance due that will be included in a levy. Because the levy is manually prepared, the controls that are normally present on the ICS will not prevent a levy from being issued if the CDP notice has not been sent. Therefore, the revenue officer must perform research to ensure that the taxpayers' CDP rights are protected before issuing a manual levy. In addition, managerial review or approval is generally not required when revenue officers issue manual levies.

We identified similar issues in our FY 2020 and FY 2021 reports. In FY 2020, The IRS took corrective action by updating the relevant Internal Revenue Manual with specific information on preparing a manual levy and issued a memorandum in February 2021 to revenue officers that included specific information on preparing manual levies.

The IRS did not receive any levy proceeds from these taxpayers. However, although the IRS took corrective action to remind revenue officers of the manual levy requirements, we continue to see a consistent number of issues in this area. Without a way to track the population of these manual levies, it is difficult to know how widespread the issue is. In addition, there are no internal controls or safeguards in place to determine whether the revenue officer followed the Internal Revenue Manual procedures prior to issuing the levy.<sup>27</sup> With improved internal controls requiring managerial approval, TIGTA believes this would reduce the risk of a manual levy being issued erroneously and as a result minimize the potential harm to taxpayers.

**Recommendation 7:** The Director, Collection Policy, Small Business/Self-Employed Division, should explore the feasibility of developing a tool that would provide a "real-time" check of non-ICS modules for revenue officers to use prior to including the modules on manual Notices of Levy. If it is determined that a tool is not a viable option, then IRM 5.11.2.2.2.1 should be revised, requiring that revenue officer manager's review and approve all manual levies prior to issuance to ensure that revenue officers have completed all required actions to confirm the manual levy can be issued.

**Management's Response:** The IRS partially agreed to this recommendation. It will explore the feasibility of developing a tool that would provide a "real-time" check of non-ICS modules for revenue officers to use prior to including the modules on manual Notices of Levy; however, the IRS did not agree to change the Internal Revenue Manual to require manager approval before issuance of manual levies. Collection Policy will also develop a workshop on preparing a manual Notice of Levy that Field Collection will present during group meetings.

**Office of Audit Comment:** The IRS's commitment to exploring the feasibility of developing a "real-time" check tool is a positive step, as is management's intention to conduct workshops on manual Notices of Levy. Timely implementation of a "real-time" check tool is not merely beneficial but vital for improving efficiency and accuracy in the collection process. However, if the tool

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<sup>27</sup> Internal Revenue Manual 5.11.2.2.2.1 (Mar. 3, 2021).

is not a viable option, we urge the IRS to revise IRM 5.11.2.2.2.1 to require revenue officer manager review and approval for manual levies. In previous years, our review of Field Collection manual levies has consistently identified cases in which revenue officers did not provide CDP rights to taxpayers before issuing a levy. Past revenue officer reminders and training recommendations have not resolved this issue. Addressing this issue is crucial to bolstering taxpayer rights and maintaining the integrity of levy procedures. This additional oversight would function as a robust control measure, ensuring revenue officers complete all necessary actions and adhere to required criteria before issuing manual levies.

### **The Field Collection Print to Correspondence Production Services Pilot Program Has Deficiencies, but Some Improvements Have Been Made**

The CPS pilot program was intended to allow revenue officers the option of using the Print to CPS when issuing a CDP notice in the ICS in order to save the revenue officer the step of having to manually print the letter.<sup>28</sup> When a revenue officer selects Print to CPS, the ICS will send a file overnight to the CPS with all necessary information to format the CDP notice. The CPS then prints, inserts attachments, and mails the letter by certified mail within six business days after receipt from the ICS. After mailing the letter, the CPS will update the Integrated Data Retrieval System with the CDP notice transaction code mail date and electronically pass the information back to the CPS. Testing for the pilot program was initiated in February 2020 for a selected group of revenue officers in the North Atlantic Area, New England Territory.

As discussed in the first section of this report, many of the errors in which the taxpayer did not receive a CDP notice occurred due to problems when revenue officers used the CPS pilot program. This issue arose and is briefly discussed in our FY 2022 audit report.<sup>29</sup> Since then, Collection Policy management reviewed 1,895 tax modules in which revenue officers used the Print to CPS option to send the CDP notice to determine if the notice was properly mailed to the taxpayers, for the period December 28, 2019, through October 29, 2020. Management identified 355 (18.7 percent) taxpayers in which violations occurred because they were not sent a CDP notice, even though it appeared to be sent. As a result, Collection Policy management took action to address some needed programming changes and also issued a memo on April 11, 2022, to Field Collection employees regarding the Print to CPS issue and instructed them to take corrective action.

During this year's review, we requested that Collection Policy management identify and provide us with taxpayer cases in which the Print to CPS option was used to send the CDP notice for the period October 30, 2020, through June 30, 2022.<sup>30</sup> From a population of 5,690 cases, we tested

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<sup>28</sup> I.R.C. § 6330, requires the IRS, in addition to giving the taxpayer 30 calendar days' notice of the IRS's intent to levy, to notify taxpayers on the first notice of intent to levy of their right to request a CDP hearing at which taxpayers can raise various issues with respect to the proposed levy (CDP rights). The taxpayer is required to be notified again prior to levy whenever any new (additional) tax assessments are applied to the taxpayer account.

<sup>29</sup> TIGTA, Report No. 2022-30-061, *Fiscal Year 2022 Statutory Review of Compliance With Legal Guidelines When Issuing Levies* (Sept. 2022).

<sup>30</sup> The Print to CPS data were provided by the IRS, and TIGTA accepted the data as is.

a stratified random sample of 74 taxpayer cases and identified [REDACTED]<sup>31</sup> [REDACTED]  
[REDACTED]. Collection Policy management has requested a programming change to remove the ability for revenue officers to send a CDP notice by regular mail through the Print to CPS option.

[REDACTED]<sup>32</sup> It is important that Collection management review these cases to identify any additional taxpayers in which it appeared a CDP notice was issued, but it was not. Also, any taxpayers not notified of their CDP rights from which erroneous levy proceeds were received should be contacted to receive consent to retain the funds or issue manual refunds.<sup>33</sup>

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

**Recommendation 8:** Review the 5,690 potentially impacted taxpayers and ensure that all taxpayers were notified of their CDP rights, and contact all taxpayers identified from which levy payments were erroneously received to obtain consent to retain the funds or issue a manual refund.

**Management's Response:** The IRS agreed with this recommendation and will review the CDP certified mail list for the remaining 5,690 potentially impacted taxpayers to ensure that all taxpayers were notified of their CDP rights. Collection Policy will refer cases to Field Collection for corrective action if erroneous levy proceeds were received for Field Collection to obtain consent to retain the funds or issue a manual refund.

**Recommendation 9:** Develop a quality review plan for the restart of the CPS pilot program prior to the Print to CPS pilot program restarting. This plan should include periodic reviews to ensure that the required CDP notice is mailed.

**Management's Response:** The IRS agreed with this recommendation and will develop a quality review plan that includes periodic reviews to ensure that the required CDP notice is mailed for the CPS pilot program. The plan will be prepared prior to any restart of the CPS pilot.

<sup>31</sup> A stratified random sample means dividing the population into two or more segments (strata) and taking a simple random sample from each stratum. See Appendix I for detailed information on how we obtained the stratified random sample.

<sup>32</sup> [REDACTED]

<sup>33</sup> In July 2023 IRS management informed us that the pilot program was paused in March 2023 to allow IT the opportunity to make essential programming changes. The application will not be restarted in FY 23 and no date has been set to restart.

## Appendix I

### Detailed Objective, Scope, and Methodology

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

- Evaluated the adequacy of controls, requirements, and processes for issuing levies as per I.R.C. § 6330.
- Determined whether controls for levies issued by the ALPs were adequate to comply with legal and procedural guidelines for timely notification to taxpayers.
- Identified potential error cases in which taxpayers' rights may have been violated because they had levies issued while a CDP levy hearing was pending. From the population of 8,617 FPLP CDP levy hearing potential violations, we selected a random sample of 153 taxpayers for IRS management to review. IRS management reviewed the selection of taxpayer cases and concurred that all 153 taxpayer cases were potential violations. We used a 100 percent error rate and a two-sided 95 percent confidence interval to estimate the number of violations in the population assuming a hypergeometric distribution. Our contracted statistician assisted with developing the projections. See Appendix II for details.
- Identified potential error cases in which taxpayers' rights may have been violated because they had levies issued while a CDP levy hearing was pending. From the population of 1,398 MTLP CDP levy hearing potential violations, we selected a random sample of 141 taxpayers for IRS management to review. IRS management reviewed the selection of taxpayer cases and concurred that all 141 taxpayer cases were potential violations. We used a 100 percent error rate and a two-sided 95 percent confidence interval to estimate the number of violations in the population assuming a hypergeometric distribution. Our contracted statistician assisted with developing the projections. See Appendix II for details.
- Determined whether controls for manual ICS levies issued by revenue officers were adequate to comply with legal and procedural guidelines for notification to taxpayers prior to levy issuance.
- Identified a judgmental sample of 30 manual ICS levies issued by revenue officers outside of the ICS during the period July 1, 2021, through June 30, 2022.<sup>1</sup> We used a judgmental sample because the exact population of manual ICS levies cannot be identified because the IRS does not track them. We used the MACRO created by TIGTA's Applied Research and Technology group to mine the data in the ICS histories for text references to manual levies. IRS management confirmed that these 30 levies were manual levies issued by revenue officers.

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

- Evaluated the CPS pilot program for the Print to CPS option in the ICS and determined whether controls for levies issued by revenue officers were adequate to comply with legal and procedural guidelines for notification to taxpayers prior to levy issuance.
- Obtained the potential error cases in which revenue officers used the Print to CPS option to send the CDP notice and identified the error cases for which taxpayers' rights may have been violated because the IRS did not notify them of their CDP rights. From the population of 5,690 potential error cases, we selected and reviewed a stratified random sample of 74 taxpayer cases. We used proportional allocation to determine the two sample sizes for each population to ensure that the Print to CPS option did send the CDP notice to these taxpayers. In the first population which included 3,591 taxpayer cases, we tested a random sample of 47 taxpayers that were issued a levy. In the second population which included 2,099 taxpayers, we tested a random sample of 27 taxpayers in which no levies were issued, to ensure the Print to CPS option was working and the CDP notice was mailed. We used a 1.34 percent error rate and a two-sided 90 percent confidence interval to estimate the number of violations in the population assuming a normal approximation distribution. Our contracted statistician assisted with developing the projections. See Appendix II for details.

### **Performance of This Review**

This review was performed with information obtained from the Small Business/Self-Employed Division National Headquarters Collection function located in New Carrollton, Maryland, during the period November 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 Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations); Phyllis Heald London, Director; Jon-Michael Socaris, Audit Manager; Anna Yip, Lead Auditor; and Lance Welling, Information Technology Specialist (Data Analytics).

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

We performed tests to assess the reliability of data from the ICS, Individual Master File, and Business Master File systems. We evaluated the data by (1) performing electronic testing of required data elements, (2) reviewing existing information about the data and the systems that produced them, and (3) interviewing agency officials knowledgeable about the 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

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Division Collection function's automated controls in place to prevent the issuance of levies prior to 30 calendar days before initiating any levy action and to prevent levy enforcement actions being taken on taxpayers that request CDP levy hearings. We evaluated these controls by reviewing populations and samples of taxpayer levies and CDP levy hearings.

## Appendix II

### Outcome Measures

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

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

- Taxpayer Rights and Entitlements – Potential; 275 taxpayers that were not issued the final CDP rights notification letter (see Recommendations 2 and 9).

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

From a population of 1,784,934 taxpayers with FLP levies issued during the period July 1, 2021, through June 30, 2022, we identified 275 taxpayers for which the IRS did not issue the final CDP rights notification letter before issuing the levy.

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

- Taxpayer Rights and Entitlements – Potential; 20 taxpayers for which the IRS did not timely issue their CDP rights notification letter before issuing the levy (see Recommendations 2 and 9).

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

From a population of 1,784,934 taxpayers with FLP levies issued during the period July 1, 2021, through June 30, 2022, we identified 20 taxpayers for which the IRS did not issue the CDP rights notification letter before issuing the levy.

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

- Taxpayer Rights and Entitlements – Potential; 8,617 taxpayers that were issued a levy while the taxpayer had a pending CDP levy hearing (see Recommendation 1).

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

From a population of 1,784,934 taxpayers with FLP levies issued during the period July 1, 2021, through June 30, 2022, we initially identified 8,617 taxpayers that were issued a levy while the taxpayer had a pending CDP levy hearing.

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

IRS management reviewed a random sample of 153 of the 8,617 potential taxpayers that were issued a levy while the taxpayer had a pending CDP levy hearing. We determined that there were 153 (100 percent) potential violations. Based on the sample of 153 potential violations, using the 100 percent error rate and a two-sided 95 percent

confidence interval, we estimate that 8,617 taxpayers' rights were potentially violated because the IRS issued a levy while a CDP levy hearing was pending.<sup>1</sup>

**Type and Value of Outcome Measure:**

- Taxpayer Rights and Entitlements – Potential; 36 taxpayers for which the IRS did not issue a new CDP notice after the additional tax assessment (see Recommendation 9).

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

From a population of 1,784,934 taxpayers with FPLP levies issued during the period July 1, 2021, through June 30, 2022, we identified 36 taxpayers for which the IRS did not issue a new CDP notice after the additional tax assessment.

**Type and Value of Outcome Measure:**

- Taxpayer Rights and Entitlements – Potential; 10 taxpayers that were not issued the final CDP rights notification letter before issuing the levy (see Recommendations 2 and 9).

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

From a population of 284,643 taxpayers with MTLP levies issued during the period July 1, 2021, through June 30, 2022, we identified 10 taxpayers for which the IRS did not issue the final CDP rights notification letter before issuing the levy.

**Type and Value of Outcome Measure:**

- Taxpayer Rights and Entitlements – Potential; 1,398 taxpayers that were issued a levy while the taxpayer had a pending CDP levy hearing (see Recommendation 1).

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

From a population of 284,643 taxpayers with MTLP levies issued during the period July 1, 2021, through June 30, 2022, we identified 1,398 taxpayers that were issued a levy while the taxpayer had a pending CDP levy hearing.

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

IRS management reviewed a random sample of 141 of the 1,398 potential taxpayers that were issued a levy while the taxpayer had a pending CDP levy hearing. We determined that there were 141 (100 percent) potential violations. Based on the sample of 141 potential violations, using the 100 percent error rate and a two-sided 95 percent confidence interval, we estimate that 1,398 taxpayers' rights were potentially violated because the IRS issued a levy while a CDP levy hearing was pending.<sup>2</sup>

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<sup>1</sup> Our sample was selected using a 95 percent confidence interval, 10 percent error rate, and ±5 percent precision factor. When projecting the results of our statistical sample, we are 95 percent confident that the actual total amount is between 8,414 and 8,617.

<sup>2</sup> Our sample was selected using a 95 percent confidence interval, 10 percent error rate, and ±5 percent precision factor. When projecting the results of our statistical sample, we are 95 percent confident that the actual total amount is between 1,364 and 1,398.

**Type and Value of Outcome Measure:**

- Taxpayer Rights and Entitlements – Potential; 80 taxpayers for which the IRS did not issue a new CDP notice after the additional tax assessment (see Recommendation 4).

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

From a population of 284,643 taxpayers with MTLP levies issued during the period July 1, 2021, through June 30, 2022, we identified 80 taxpayers for which the IRS did not issue a new CDP notice after the additional tax assessment.

**Type and Value of Outcome Measure:**

- Taxpayer Rights and Entitlements – Potential; [REDACTED] (see Recommendation 9).

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

From a population of 8,272 taxpayers with AKPFD levies issued during the period July 1, 2021, through June 30, 2022, we identified [REDACTED]

**Type and Value of Outcome Measure:**

- Taxpayer Rights and Entitlements – Potential; 80 taxpayers that were issued a levy while the taxpayer had a pending CDP levy hearing (see Recommendation 1).

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

From a population of 8,272 taxpayers with AKPFD levies issued during the period July 1, 2021, through June 30, 2022, we identified 80 taxpayers that were issued a levy while the taxpayer had a pending CDP levy hearing.

**Type and Value of Outcome Measure:**

- Taxpayer Rights and Entitlements – Potential; [REDACTED] (see Recommendation 5).

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

From a population of 8,272 taxpayers with AKPFD levies issued during the period July 1, 2021, through June 30, 2022, we identified [REDACTED]

**Type and Value of Outcome Measure:**

- Taxpayer Rights and Entitlements – Potential; 177 taxpayers for which the IRS did not issue the final CDP rights notification letter (see Recommendations 6 and 9).

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

From a population of 163,421 taxpayers with SITLP levies issued during the period July 1, 2021, through June 30, 2022, we identified 177 taxpayers for which the IRS did not issue the final CDP rights notification letter.

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

- Taxpayer Burden – Potential; 481 taxpayers for which the IRS did not timely issue the final CDP rights notification letter after the levy (see Recommendation 6).

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

From a population of 163,421 taxpayers with SITLP levies issued during the period July 1, 2021, through June 30, 2022, we identified 481 taxpayers for which the IRS did not timely issue the final CDP rights notification letter after the levy.

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

- Taxpayer Rights and Entitlements – Potential; [REDACTED] (see Recommendations 6 and 9).

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

From a population of 163,421 taxpayers with SITLP levies issued during the period July 1, 2021, through June 30, 2022, we identified [REDACTED]

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

- Taxpayer Rights and Entitlements – Potential; [REDACTED] (see Recommendation 7).

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

From a judgmental sample of 30 taxpayers with manual levies issued by revenue officers during the period July 1, 2021, through June 30, 2022, we identified [REDACTED]

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

- Taxpayer Rights and Entitlements – Potential; [REDACTED] (see Recommendation 7).

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<sup>3</sup> A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.

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

From a judgmental sample of 30 taxpayers with manual levies issued by revenue officers during the period July 1, 2021, through June 30, 2022, we identified [REDACTED]

**Type and Value of Outcome Measure:**

- Taxpayer Rights and Entitlements – Potential; [REDACTED] (see Recommendation 7).

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

From a judgmental sample of 30 taxpayers with manual levies issued by revenue officers during the period July 1, 2021, through June 30, 2022, we identified [REDACTED]

**Type and Value of Outcome Measure:**

- Taxpayer Rights and Entitlements – Potential; 76 taxpayers for which the IRS did not issue the final CDP rights notification letter (see Recommendation 8).

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

From a population of 5,690 taxpayers for which revenue officers used the Print to CPS option to send the CDP notice during the period October 30, 2020, through June 30, 2022, we reviewed a stratified random sample of 74 of the 5,690 potential taxpayer cases.

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

- We reviewed a random sample of 47 of the 3,591 potential taxpayer’s cases for [REDACTED] We determined that there was [REDACTED]
- We reviewed a random sample of 27 of the 2,099 potential taxpayer’s cases for which the IRS did not issue the final CDP rights notification letter. We determined that there were no violations.

[REDACTED]

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<sup>4</sup> [REDACTED]

**Example of Form 668-A, Notice of Levy**

Form <b>668-A</b> (April 2020)	Department of the Treasury - Internal Revenue Service <b>Notice of Levy</b>			
Date				Telephone number of IRS office
Reply to				Name and address of taxpayer
To				Identifying number(s)
Special instructions for certain property levied				
<b>This isn't a bill for taxes you owe. This is a notice of levy we are using to collect money owed by the taxpayer named above.</b>				
Kind of Tax	Tax Period Ended	Unpaid Balance of Assessment	Statutory Additions	Total
			<b>Total Amount Due</b>	
We figured the interest and late payment penalty to _____				
<p>The Internal Revenue Code provides that there is a lien for the amount that is owed. Although we have given the notice and demand required by the Code, the amount owed hasn't been paid. This levy requires you to turn over to us this person's property and rights to property (such as money, credits, and bank deposits) that you have or which you are already obligated to pay this person. However, don't send us more than the "Total Amount Due."</p> <p><b>Money in banks, credit unions, savings and loans, and similar institutions described in section 408(n) of the Internal Revenue Code <u>must be held for 21 calendar days</u> from the day you receive this levy before you send us the money. Include any interest the person earns during the 21 days. Turn over any other money, property, credits, etc. that you have or are already obligated to pay the taxpayer, when you would have paid it if this person asked for payment. This levy does not attach to funds in IRAs, Self-Employed Individuals' Retirement Plans, or any other retirement plans in your possession or control.</b></p> <p>Make a reasonable effort to identify all property and rights to property belonging to this person. At a minimum, search your records using the taxpayer's name, address, and identifying numbers(s) shown on this form. Don't offset money this person owes you without contacting us at the telephone number shown above for instructions. You may not subtract a processing fee from the amount you send us.</p> <p><b>To respond to this levy —</b></p> <ol style="list-style-type: none"> <li>1. Make your check or money order payable to <b>United States Treasury</b>.</li> <li>2. Write the taxpayer's name, identifying number(s), kind of tax and tax period shown on this form, and "LEVY PROCEEDS" on your check or money order (not on a detachable stub.)</li> <li>3. Complete the back of Part 3 of this form and mail it to us with your payment in the enclosed envelope.</li> <li>4. Keep Part 1 of this form for your records and give the taxpayer Part 2 within 2 days.</li> </ol> <p>If you don't owe any money to the taxpayer, please complete the back of Part 3, and mail that part back to us in the enclosed envelope.</p>				
Signature of Service Representative			Title	

Management's Response to the Draft Report



COMMISSIONER  
SMALL BUSINESS/SELF-EMPLOYED DIVISION

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

September 7, 2023

MEMORANDUM FOR HEATHER M. HILL  
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Amalia C. Colbert  
Lia Colbert Colbert  
Commissioner, Small Business/Self-Employed Division

Digitally signed by Amalia C. Colbert  
Date: 2023.09.07 16:29:16 -0400

SUBJECT: Draft Audit Report – Fiscal Year 2023 Statutory Review of Compliance With Legal Guidelines When Issuing Levies (Audit #202330003)

Thank you for the opportunity to review and comment on the subject draft audit report, which evaluates whether the IRS complied with the statutory requirement to notify taxpayers and their authorized representatives of the right to a Collection Due Process (CDP) hearing prior to issuing levies and to suspend levy action as required by Internal Revenue Code (IRC) § 6330. We are committed to helping taxpayers meet their tax responsibilities while respecting and protecting their rights.

During this audit, you reviewed a significant number of the levies issued by our Automated Levy Programs (ALP) and manual levies issued by Field Collection revenue officers from July 1, 2021, through June 30, 2022. You determined that we complied with all legal requirements in over 99% of the cases. We are extremely proud of the hard work and dedication of our employees who effectively administer these programs.

In your report, you made several recommendations to further safeguard taxpayer rights in ALP. As a result, we researched over 8,600 cases identified by TIGTA and identified 1,351 instances in which the IRS received levy proceeds that were not previously refunded to the taxpayer. We have issued letters to the identified taxpayers offering a refund option of the received levy proceeds. We have already updated and implemented fixes for the identified programming issues. To mitigate the risk of this reoccurring upon resumption of the ALP, we are developing a phased approach for restart of these programs. To further ensure that employees are aware of their responsibilities concerning automated levy programs, we are working to incorporate an ALP presentation into the 2024 Collection Continuing Professional Education (CPE).

**Fiscal Year 2023 Statutory Review of Compliance  
With Legal Guidelines When Issuing Levies**

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Some of the issues found in TIGTA's report are a result of programming issues found in the Alaska Permanent Fund Dividend Levy Program (AKPFD), Municipal Tax Levy Program (MTLP), and State Income Tax Levy Program (SITLP). Once these issues were identified, we coordinated with Information Technology (IT) to implement programming changes to ensure the ALP operated appropriately. IT implemented the programming error fixes in June and August 2023.

Each year, revenue officers issue thousands of manual levies. TIGTA reviewed a judgmental sample of 30 and found no violation of taxpayer rights in 90% of the cases reviewed. TIGTA reviewed a judgmental sample of manual levies in past audits and generally found a low rate of errors. We will continue to improve the manual levy process for revenue officers by exploring the feasibility of developing a tool that would provide a "real-time" check of non-Integrated Collection System (ICS) modules, for revenue officers to use prior to including the modules on manually prepared Notices of Levy.

TIGTA's report found instances in which a revenue officer used the Print to Correspondence Production Services (CPS) option to send a levy CDP notice and taxpayers did not receive Letter 1058, *Notice of Intent to Levy and Notice of your Right to a Collection Due Process Hearing*. We acknowledge there were some issues in the pilot of the print to CPS option for these types of letters. As a result, we paused the Print to CPS pilot on March 15, 2023, to allow IT the opportunity to make essential programming changes. We do not have an anticipated restart date for the application. We will create a plan to restart prior to any further decisions regarding this pilot program to verify that we are taking necessary steps to protect taxpayer rights.

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

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

Attachment

**Recommendations**

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

**RECOMMENDATION 1:**

Periodically conduct a study of CDP levy hearing requests (Form 12153) to determine the average time frame from when CDP levy hearing requests are received to when they are input into the CDP tracking system (for the ACS) or the ICS (for Field Collection). To prevent taxpayer rights violations, the results of this study should be used to determine a reasonable time frame to begin taking levy action against a taxpayer after they have been issued their CDP notice.

**CORRECTIVE ACTION:**

We agree. We will conduct a study of CDP levy hearing requests in both Field and Campus Collection to determine the average time frame from when CDP levy hearing requests are received to when they are input into either CDP tracking system or ICS. The results will be used to assess whether the existing time frames prior to taking levy action are reasonable or to recommend adjustments to those time frames. The implementation date takes into consideration the time needed to create the report and allowing ample time to collect meaningful data for analysis.

**IMPLEMENTATION DATE:**

October 15, 2024

**RESPONSIBLE OFFICIAL:**

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

**CORRECTIVE ACTION MONITORING PLAN:**

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

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

**RECOMMENDATION 2:**

Provide revenue officers with clarification and reinforcement of the procedures in the ICS User Guide to ensure that a CDP notice has been issued prior to the input of the CDP notice transaction code.

**CORRECTIVE ACTION:**

We agree. We will issue a communication to field collection employees with instructions related to Final Notice Delivery Method, Chapter 15, ICS User Guide. The guidance will emphasize proper input of delivery method after the CDP notice is issued.

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With Legal Guidelines When Issuing Levies**

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**IMPLEMENTATION DATE:**

February 15, 2024

**RESPONSIBLE OFFICIAL:**

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

**CORRECTIVE ACTION MONITORING PLAN:**

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

**RECOMMENDATION 3:**

Consider the failure to observe written regulations, orders, rules, or procedures that result in the violation of CDP rights when evaluating employees' performance or for misconduct if such action on the part of the employee is intentional.

**CORRECTIVE ACTION:**

We agree. We will issue a reminder to Field Collection managers addressing their responsibilities and obligations related to violation of taxpayer rights and the process for reporting potential violations.

**IMPLEMENTATION DATE:**

February 15, 2024

**RESPONSIBLE OFFICIAL:**

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

**CORRECTIVE ACTION MONITORING PLAN:**

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

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

**RECOMMENDATION 4:**

Work with the Information Technology organization to rectify the programming error pertaining to Municipal Tax Levies to prevent levy issuance when the CDP notice posts on the same cycle or following cycle of an additional assessment. Additionally, monitor the MTLP programming periodically to inspect for flaws that may be causing erroneous levies and timely rectify them to prevent further taxpayer rights violations.

**CORRECTIVE ACTION:**

We agree. Programming for this correction was implemented in June 2023. We will periodically monitor for program flaws once the automated levy programs resume. The results of these reviews will be shared with IT for possible further program corrections, if

needed. The implementation date takes into account IRS leadership's continued consideration to restart systemic processes as we take a fresh look at how the IRS operates to better serve taxpayers and the nation following the passage of the Inflation Reduction Act and the creation of the new IRS Strategic Operating Plan.

**IMPLEMENTATION DATE:**

March 15, 2025

**RESPONSIBLE OFFICIAL:**

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

**CORRECTIVE ACTION MONITORING PLAN:**

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

**RECOMMENDATION 5:**

Ensure corrective programming is implemented to the AKPFD to properly exclude taxpayers who have not received a new CDP notice after an additional assessment to ensure taxpayer rights are not violated.

**CORRECTIVE ACTION:**

We agree. Corrective programming was put into place in August 2023, to ensure taxpayers receive a new CDP notice after an additional assessment.

**IMPLEMENTATION DATE:**

Implemented

**RESPONSIBLE OFFICIAL:**

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

**CORRECTIVE ACTION MONITORING PLAN:**

N/A

**RECOMMENDATION 6:**

Monitor the SITLP periodically, to determine whether improvements are needed to mitigate taxpayer rights violations and taxpayer burden. If improvements are warranted, corrective actions should be taken promptly.

**CORRECTIVE ACTION:**

We agree. We will periodically monitor for program flaws and levy payment transfer errors when automated levy programs resume. The results of these reviews will be shared with IT and/or levy payment state(s) for possible corrections, as needed. The

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implementation date takes into account IRS leadership's continued consideration to restart systemic processes as we take a fresh look at how the IRS operates to better serve taxpayers and the nation following the passage of the Inflation Reduction Act and the creation of the new IRS Strategic Operating Plan.

**IMPLEMENTATION DATE:**

June 15, 2025

**RESPONSIBLE OFFICIAL:**

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

**CORRECTIVE ACTION MONITORING PLAN:**

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

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

**RECOMMENDATION 7:**

Explore the feasibility of developing a tool that would provide a "real-time" check of non-ICS modules, for revenue officers to use prior to including the modules on manual Notices of Levy. If it is determined that a tool is not a viable option, then IRM 5.11.2.2.2.1 should be revised, requiring that revenue officer manager's review and approve all manual levies prior to issuance, to ensure that revenue officers have completed all required actions to confirm the manual levy can be issued.

**CORRECTIVE ACTION:**

We agree, in part. We will explore the feasibility of developing a tool that would provide a "real-time" check of non-ICS modules, for revenue officers to use prior to including the modules on manual Notices of Levy. Collection Policy will also develop a workshop on preparing a manual Notice of Levy that Field Collection will present during group meetings. The implementation date takes into consideration allowing time to coordinate with Information Technology to determine needed programming and resources.

**IMPLEMENTATION DATE:**

October 15, 2024

**RESPONSIBLE OFFICIAL:**

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

**CORRECTIVE ACTION MONITORING PLAN:**

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

**RECOMMENDATION 8:**

Review the 5,690 potentially impacted taxpayers and ensure that all taxpayers were notified of their CDP rights, and contact all taxpayers identified from which levy payments were erroneously received to obtain consent to retain the funds or issue a manual refund.

**CORRECTIVE ACTION:**

We agree. We will review the CDP certified mail listing for the remaining 5,690 potentially impacted taxpayers to ensure that all taxpayers were notified of their CDP rights. Collection Policy will refer cases to Field Collection for corrective action if erroneous levy proceeds were received for Field Collection to obtain consent to retain the funds or issue a manual refund.

**IMPLEMENTATION DATE:**

March 15, 2024

**RESPONSIBLE OFFICIAL:**

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

**CORRECTIVE ACTION MONITORING PLAN:**

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

**RECOMMENDATION 9:**

Develop a quality review plan for the restart of the CPS pilot program prior to the Print to CPS pilot program restarting. This plan should include periodic reviews to ensure that the required CDP notice is mailed.

**CORRECTIVE ACTION:**

We agree. We will develop a quality review plan that includes periodic reviews to ensure that the required CDP notice is mailed for the CPS pilot program. The plan will be prepared prior to any restart of the CPS pilot.

**IMPLEMENTATION DATE:**

March 15, 2024

**RESPONSIBLE OFFICIAL:**

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

**CORRECTIVE ACTION MONITORING PLAN:**

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

## Glossary of Terms

<b>Term</b>	<b>Definition</b>
Alaska Permanent Fund Dividend Levy Program	An ALP that operates in conjunction with the Permanent Fund Dividend Division in the State of Alaska's Department of Revenue.
Automated Collection System	A system used to collect delinquent taxes and returns through taxpayer contact, which is accomplished through incoming and outgoing telephone calls and correspondence to taxpayers and third parties.
Automated Levy Program	A levy program in which selected Federal tax debts are matched with State taxing authorities, municipal taxing authorities, and Federal agencies disbursing funds such as salary, pension, and vendor payments.
Business Master File	The IRS database that consists of Federal tax-related transactions and accounts for businesses. These include employment taxes, income taxes on businesses, and excise taxes.
Campus	The data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.
Collection Due Process Rights	I.R.C. § 6330 gives the taxpayer the right to appeal before a proposed levy action and after a jeopardy levy, a disqualified employment tax levy, a levy on a Federal contractor, and a levy on State tax refunds. The IRS notifies taxpayers of their CDP rights by issuing a notice explaining their right to request a hearing.
Collection Representative	The duties of a collection representative are varied and include collecting unpaid taxes and securing tax returns from delinquent taxpayers that have not complied with previous notices along with securing, verifying, and updating levy sources and timely issuing notices of tax levy.
Disqualified Employment Tax Levy	A levy served to collect an employment tax liability for taxpayers that previously requested a CDP hearing involving unpaid employment tax that arose in the two-year period before the period for which the levy is served.
Federal Contractor Levy	Any levy if the person whose property is subject to the levy is a Federal contractor.
Federal Payment Levy Program	The Federal Payment Levy Program is an automated levy program that the IRS operates with the Bureau of the Fiscal Service as a systemic means for the IRS to collect delinquent taxes by levying Federal payments.
Field Collection	An IRS function within the Small Business/Self-Employed Division that helps taxpayers understand and comply with all applicable tax laws and applies the tax laws with integrity and fairness. It is also responsible for protecting the revenue and the interests of the Government through direct collection and enforcement activity with taxpayers or their representatives.

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<b>Term</b>	<b>Definition</b>
Fiscal Year	Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government’s fiscal year begins on October 1 and ends on September 30.
Individual Master File	The IRS database that maintains transactions or records of individual tax accounts.
Integrated Collection System	A system used by Field Collection function employees (revenue officers) to report taxpayer case time and activity.
Integrated Data Retrieval System	An IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer’s account records.
Internal Revenue Code	The body of law that codifies all Federal tax laws, including income, estate, gift, excise, alcohol, tobacco, and employment taxes. These laws constitute Title 26 of the United States Code. The United States Code is a consolidation and codification by subject matter of the general and permanent laws of the United States.
Internal Revenue Manual	The primary, official source of IRS “instructions to staff” related to the organization, administration, and operation of the IRS.
Jeopardy Levy	A levy that is issued if collection is in jeopardy. The taxpayer must be offered CDP rights within a reasonable period after the levy if not provided prior to the levy.
Manual Levy	A paper levy form that is manually prepared and issued by a revenue officer. A manual ACS levy is initiated through the system by a collection representative, resulting in levy preparation and issuance by the system.
Module	Refers to one specific tax return filed by the taxpayer for one specific tax period (year or quarter) and type of tax.
Municipal Tax Levy Program	An ALP that matches a Master File database of delinquent taxpayers eligible to be levied against a database of local income tax refunds for each municipality participating in the program.
Paper Levy	A levy generated on a Form 668-A or Form 668-W, <i>Notice of Levy on Wages, Salary and Other Income</i> , and issued through the ACS either systemically or by an employee.
Revenue Officer	An employee in the Collection function who provides customer service by explaining taxpayer rights and responsibilities, collects delinquent accounts, secures delinquent returns, counsels taxpayers on their tax filing and payment obligations, conducts tax investigations, files Notices of Federal Tax Lien, releases Federal tax liens, and performs seizures and sales of delinquent taxpayer assets.
State Income Tax Levy Program	An ALP that matches a Master File database of delinquent taxpayers eligible to be levied against a database of State tax refunds for each State participating in the program.

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With Legal Guidelines When Issuing Levies**

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<b>Term</b>	<b>Definition</b>
Systemic Levy	ACS systemic levies are initiated, prepared, and issued completely by the ACS with no manual intervention necessary. ICS systemic levies are initiated by revenue officers, resulting in levy preparation and issuance by the system.
Tax Period	Each tax return filed by the taxpayer for a specific period (year or quarter) during a calendar year for each type of tax.
Tax Year	A 12-month accounting period for keeping records on income and expenses used as the basis for calculating the annual taxes due. For most individual taxpayers, the tax year is synonymous with the calendar year.

**Abbreviations**

ACS	Automated Collection System
AKPFD	Alaska Permanent Fund Dividend Levy Program
ALP	Automated Levy Program
CDP	Collection Due Process
CPS	Correspondence Production Services
FPLP	Federal Payment Levy Program
FY	Fiscal Year
ICS	Integrated Collection System
I.R.C.	Internal Revenue Code
IRS	Internal Revenue Service
MTLP	Municipal Tax Levy Program
SITLP	State Income Tax Levy Program
TIGTA	Treasury Inspector General for Tax Administration



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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.