

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Additional Actions Are Needed to Clearly Inform Taxpayers in Federally Declared Disaster Areas of Balance Due Payment Postponement Timeframes

September 24, 2024

Report Number: 2024-IE-R019

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

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HIGHLIGHTS: Additional Actions Are Needed to Clearly Inform Taxpayers in Federally Declared Disaster Areas of Balance Due Payment Postponement Timeframes

Final Evaluation Report issued on September 24, 2024

Report Number 2024-IE-R019

Why TIGTA Did This Evaluation

The IRS offers tax filing and payment relief to victims of natural disasters, such as hurricanes, floods, and winter storms. In accordance with Internal Revenue Code section (§) 7508A, the Secretary of the Treasury (Secretary) may postpone tax return filing and payment requirements for up to one year.

In June 2023, the IRS began receiving complaints from taxpayers, tax practitioners, and Congress, along with negative news media outlet coverage related to the sending of balance due notices to taxpayers in declared disaster areas and demanding payment.

Impact on Tax Administration

Our analysis identified the individual and business taxpayers who sent payments to the IRS prior to the end of their postponement date:

- 358,152 individual taxpayers made payments totaling \$1.1 billion.
- 31,151 business taxpayers made payments totaling \$69.6 million.

Sending payments prior to the postponement end date may indicate that taxpayers are confused about when their tax balance payments are due.

The tax relief granted by postponement give affected taxpayers more time to comply with their tax obligations so that they do not have to worry about filing/paying in the immediate aftermath of the disaster.

What TIGTA Found

Although the Secretary can postpone tax return filing and payment requirements, the Secretary's actions do not delay the assessment of tax and issuance of notices to taxpayers who owe tax. Specifically, for taxpayers granted disaster relief who file a tax return with a balance due, Internal Revenue Code § 6303(a) requires the IRS to send the taxpayer a notice of the amount due. Individual taxpayers with a balance due will receive a CP14, *Statutory Notice of Underpayment*, and business taxpayers will receive a CP161, *Statutory Notice of Underpayment*.

Our review of CP14 notice, Notice 1155, *Disaster Relief from the IRS*, and Notice 1462, *Important! You Have More Time to File and Pay Your Taxes Due to a Disaster*, found that they do not include information that clearly informs taxpayers, residing in declared disaster areas, of the most important and relevant information they need – the time frame for which the taxpayer's tax filings and payments are postponed. As such, we estimate that potentially thousands of taxpayers in Federally declared emergency and disaster areas may have paid the balances owed before the postponed due date, as they were not aware of the timeframe for the disaster relief they were afforded.

In response to concerns raised in June 2023, the IRS created a Disaster Zone Experience Team to identify ways to improve the experience of taxpayers residing in a disaster area and has taken several actions to add additional information to the CP14 notice. Specifically, the IRS has developed a coversheet (CP14C) to be included with the CP14 notice that would inform the taxpayer that:

- They are in a Federally declared disaster area.
- They have been automatically granted relief.
- Their balance due was not due until the postponement date shown on the coversheet and to disregard the payment due date shown on page 3 (the start of the required CP14 notice).

However, most IRS improvement efforts have been focused on individual taxpayers in Federally declared disaster areas. Similar efforts are needed to clearly inform business taxpayers in disaster areas that are sent a CP161 notice of their entitlement to tax relief.

What TIGTA Recommended

TIGTA recommended that the IRS develop a coversheet to be included with and/or revise the CP161 notice to clearly inform business taxpayers that they are in a Federally declared disaster area, they have been automatically granted payment relief, and the payment of their balance due taxes is not due until the end of the postponement period shown on the coversheet and/or notice as the due date. The IRS agreed to explore improvements to the CP161 balance due notice issued to businesses, building upon the similar improvements made for individual taxpayers.



TREASURY INSPECTOR GENERAL

for Tax Administration

DATE: September 24, 2024

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Russell P. Martin 
Deputy Inspector General for Inspections and Evaluations

SUBJECT: Final Evaluation Report – Additional Actions Are Needed to Clearly Inform Taxpayers in Federally Declared Disaster Areas of Balance Due Payment Postponement Timeframes (Evaluation No.: IE-23-033)

This report presents the results of our review to assess the impact of and need for the Internal Revenue Service to modify statutory notices to taxpayers to provide more specific information regarding the tax relief granted when in a Federally declared emergency or disaster area. This evaluation is included in our Fiscal Year 2024 Program Plan and addresses the major management and performance challenges of *Taxpayer Services* and *Taxpayer Rights*.

Management's complete response to the draft report is included as Appendix III. If you have any questions, please contact me or James A. Douglas, Director, Inspections and Evaluations.

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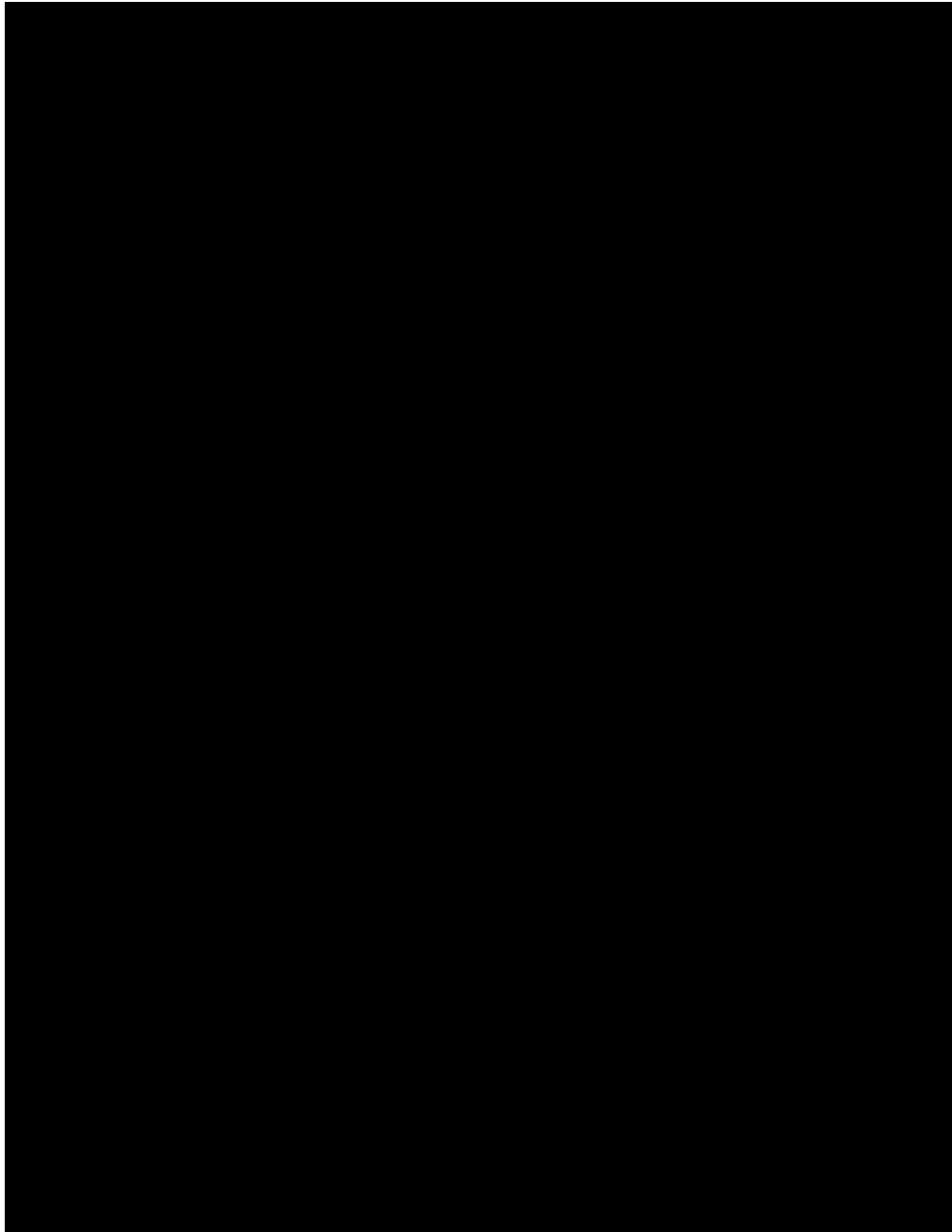
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Background

The Internal Revenue Service (IRS) offers tax filing and payment relief to victims of natural disasters, such as hurricanes, floods, and winter storms. In accordance with Internal Revenue Code section (§) 7508A, the Secretary of the Treasury (Secretary) may postpone the deadline for which taxpayers who are affected by a Federally declared disaster are required to file a tax return and make any payments due. Specifically, the Secretary may postpone tax return filing and payment requirements for up to one year. Postponements give affected taxpayers more time to comply with their tax obligations so that they do not have to worry about filing/paying in the immediate aftermath of the disaster. We also believe that these delays can allow taxpayers impacted by a Federally declared disaster to better use their funds to provide food, shelter, clothing, or other essentials during an emergency.

Although the Secretary can postpone tax return filing and payment requirements, the Secretary's actions do not delay the assessment of tax and issuance of notices to taxpayers who owe tax. Specifically, for taxpayers granted disaster relief who file a tax return with a balance due, Internal Revenue Code § 6303(a) requires the IRS to send the taxpayer a notice of the amount due and a demand for payment within 60 days of assessment. Individual taxpayers with a balance due will receive a CP14, *Statutory Notice of Underpayment*, and business taxpayers will receive a CP161, *Statutory Notice of Underpayment*. The CP14 and CP161 notices inform the taxpayer of their balance due amount and a demand for full payment within 21 days from the date of the notice to avoid additional penalty and interest charges. Figure 1 provides an example of the CP14 notice and Figure 2 provides an example of the CP161 notice.

Figure 1: CP14, Statutory Notice of Underpayment (Individual)



Source: Internal Revenue Service.

Figure 2: CP161, Statutory Notice of Underpayment (Business)



Source: Internal Revenue Service.

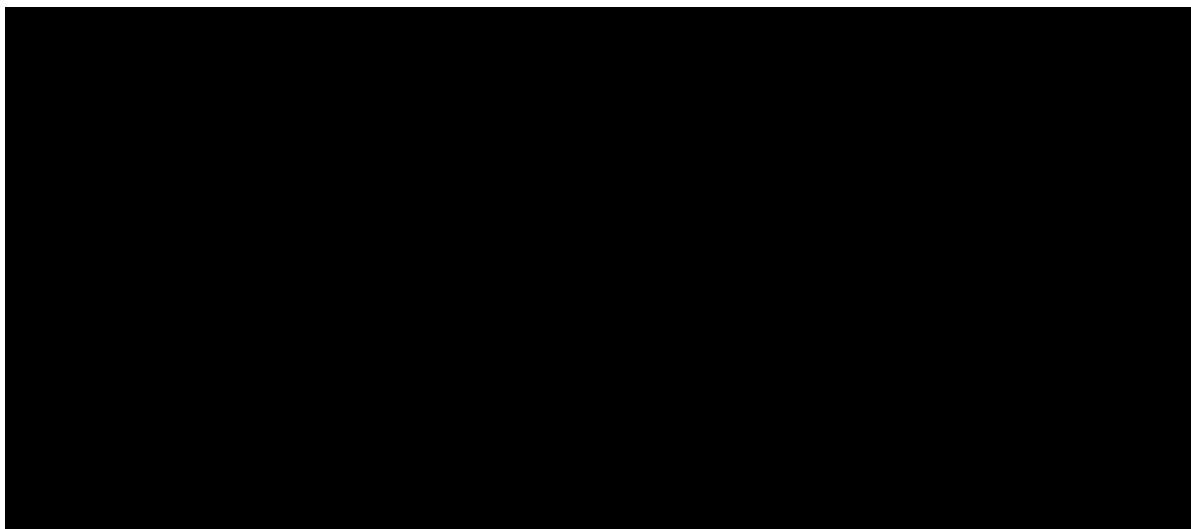
From December 2022, through April 2023, California has had a series of disaster declarations that affected 57 of its 58 counties and most of its 39 million individual taxpayers. In addition to the Federally declared disasters in California, seven other states had Federal disaster declarations during this same timeframe, that affected about 6.5 million individual taxpayers.¹ Although the taxpayers in these states were afforded filing and payment delays, our analysis of tax records identified approximately 1.2 million individual taxpayers that filed their tax returns during the period February through September 2023, and were issued 1.2 million CP14 notices with balances due totaling nearly \$6.7 billion.

¹ Alabama, Arkansas, Florida, Georgia, Indiana, Mississippi, and Tennessee.

Additional Actions Are Needed to Clearly Inform Taxpayers in Federally Declared Disaster Areas of Balance Due Payment Postponement Timeframes

In June 2023, the IRS began receiving complaints from taxpayers, tax practitioners, and Congress, along with negative news media outlet coverage related to the IRS's sending of CP14 notices to taxpayers in declared disaster areas (in particular taxpayers residing in California). The concerns related to the fact that the CP14 balance due notices demanded payment of the balance due within 21 days or face additional penalty and interest charges. The CP14 notice also included a "stuffer" Notice 1155, *Disaster Relief from the IRS*. Figure 3 provides an example of Notice 1155.

Figure 3: Notice 1155, *Disaster Relief from the IRS*



Source: Internal Revenue Service.

In June 2023, in response to the concerns raised, the IRS replaced Notice 1155 with a new "stuffer" Notice 1462, *Important! You Have More Time to File and Pay Your Taxes Due to a Disaster*, to be included with CP14 notice mailings. Figure 4 provides an example of Notice 1462.

Figure 4: Notice 1462, *Important! You Have More Time to File and Pay Your Taxes Due to a Disaster*



Source: Internal Revenue Service.

Results of Review

Our review of CP14 notice, Notice 1155, and Notice 1462, found that they do not include information that clearly informs taxpayers, residing in declared disaster areas, of the most important and relevant information they need – the time frame for which the taxpayer’s tax filings and payments are postponed. We estimate that potentially thousands of taxpayers in Federally declared emergency and disaster areas may have paid the balances owed before the

postponed due date, as they were not aware of the time frame for the disaster relief they were afforded.

Our evaluation found that the IRS recognizes the confusion taxpayers receiving CP14 notices face resulting from a lack of clarity in the information the IRS provided. On June 7, 2023, the IRS posted a statement on its website apologizing to taxpayers and tax professionals for the confusion associated with the issuance of the CP14 notices and reassuring California taxpayers that they have an automatic postponement until later in 2023 to file and pay their taxes.

In June 2023, the IRS created a Disaster Zone Experience Team to identify ways to improve the experience of taxpayers residing in a disaster area. In addition, in response to concerns raised, the IRS has taken several actions to add additional information to the CP14 notice. IRS officials noted that they are developing a solution that will provide taxpayers residing in a disaster area with the appropriate disaster information “front and center” to avoid creating confusion for taxpayers who have more time to pay under a disaster declaration.

However, most IRS improvement efforts have been focused on individual taxpayers in Federally declared disaster areas. Similar efforts are needed to clearly inform business taxpayers in disaster areas that are sent a CP161, *Statutory Notice of Underpayment*, of their entitlement to tax relief. For example, the IRS plans to explore the programming requirements and feasibility of creating a new notice (CP14D) that would be sent to individual taxpayers in Federally declared disaster areas who have a balance due. The IRS estimates that the new notice would not be available to send to taxpayers until the 2025 Filing Season at the earliest. This notice would specifically inform the taxpayer:

- They are in a Federally declared emergency or disaster zone.
- They have been automatically granted tax filing and payment relief.
- Their payment of the taxes on the notice is not due until the end of the postponement period shown on the notice.

However, the IRS plans to delay efforts to update the balance due notice for business taxpayers until after they receive public feedback on the CP14 notice coversheet.

Notices Do Not Include the Most Relevant Information Such As the Time Frame That Balance Due Payments Are Postponed

On June 7, 2023, the IRS posted a statement on its website apologizing to taxpayers and tax professionals for the confusion associated with the issuance of the CP14 notices. The IRS also created a new link on its website to provide information related to tax relief for taxpayers in declared disaster areas.² The link is to Frequently Asked Questions which provide information relating to the various disasters for which tax relief was granted by Calendar Year from 2018 to 2024. However, despite the efforts to improve communication with individual taxpayers, the IRS is still working to provide the most important and relevant piece of information – the timeframe for which the taxpayer’s balance due payments are postponed.

² IRS, *Tax Relief in Disaster Situations*, <https://www.irs.gov/DisasterTaxRelief> or <https://www.irs.gov/newsroom/tax-relief-in-disaster-situations> (last visited: May 17, 2024).

Our analysis of tax return filings from February through September 2023 identified:

- Approximately 1.2 million individual taxpayers located in a Federally declared disaster area received a CP14 notice, owing an estimated \$6.7 billion in taxes.
- Approximately 108,000 business taxpayers in a Federally declared disaster area received a CP161 notice, owing an estimated \$651.9 million in taxes.

The tax relief granted by the Secretary through postponement give affected taxpayers more time to comply with their tax obligations so that they do not have to worry about filing/paying in the immediate aftermath of the disaster. We also believe it enables taxpayers to use their funds to provide food, shelter, clothing, or other essentials during an emergency. Further analysis of the above taxpayers receiving a CP14 or CP161 notice found that a number of these taxpayers made payments prior to the postponement end date. This may indicate that taxpayers are confused about when their tax balance payments are due. Our analysis identified the individual and business taxpayers who sent payments to the IRS prior to the end of their postponement date:

- 358,152 (30.9 percent) out of 1.2 million individual taxpayers located in Federally declared disaster areas made payments totaling \$1.1 billion.
- 31,151 (28.8 percent) out of 108,000 business taxpayers in Federally declared disaster areas made payments totaling \$69.6 million.

Although, the IRS's disaster relief is provided to all taxpayers within the counties listed within the Federal Emergency Management Agency's disaster declaration, yet, depending on the disaster, not every taxpayer within a listed county has necessarily been impacted. Some taxpayer file and pay before the end of the postponement period simply because they can.

The IRS included additional information documents with CP14 and CP161 notices

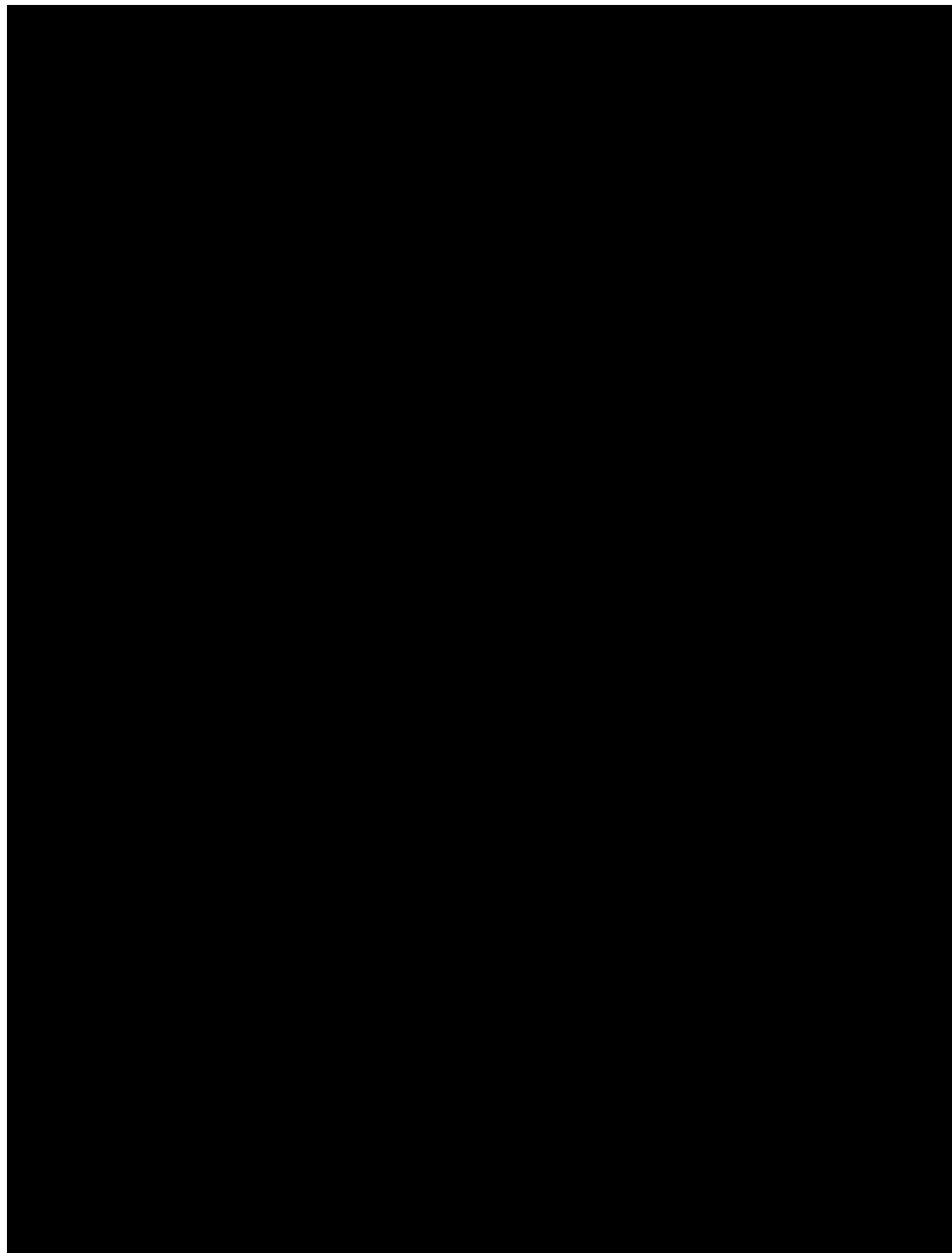
The IRS included Notice 1155 in its mailings of CP14 and CP161 notices to taxpayers in Federally declared disaster areas. Notice 1155 informs taxpayers that they may qualify for a postponement of paying their taxes. In June 2023, the IRS replaced Notice 1155 with Notice 1462, *Important! You Have More Time to File and Pay Your Taxes Due to a Disaster*. Whereas the Notice 1155 was general in nature, the Notice 1462 informs the taxpayer that the Federal Emergency Management Agency had issued a disaster declaration for the taxpayer's area. The notice also informs the taxpayer that the IRS had automatically granted the taxpayer disaster relief which included postponement of the deadlines for filing their return and making payment, and the taxpayer has additional time to pay beyond the due date listed on the notice in the mailing. The notice does not include the actual postponement dates/deadlines for the taxpayer. Instead, taxpayers are directed to a dedicated IRS.gov page where they may locate the latest information on the postponed due date for any active disaster declaration.³

³ A Quick Response code (also known as a QR code) is a two-dimensional symbol developed in Japan and released in 1994. Each code is a unique pattern of black squares on a white background, with large squares at three corners. A QR code contains information in both vertical and horizontal directions unlike a one-dimensional bar code that contained data in only one direction. Audiences scan the QR code using their smart device (cellular telephone), and the stored information in the code directs them to website, video, text, contact information, and more.

The IRS sent out a revised CP14 Clarification Letter, but once again failed to include the time frame that balance due payments were postponed

On June 28, 2023, the IRS issued a news release that stated that the IRS “is sending a special follow-up mailing to taxpayers in several states affected by disasters to let them know they have additional time to pay their taxes.” The IRS sent out a Clarification Letter (CP14CL) to taxpayers eligible for balance due payment postponement that previously received a CP14 notice during the period May 15, 2023, through June 11, 2023. Figure 5 illustrates the CP14CL.

Figure 5: CP14CL, Clarification Letter



Source: Internal Revenue Service.

The revised letter informs the taxpayer that they have more time to pay, and directs them to the IRS’s new web page, with the option of scanning a Quick Response code. While the revised

notice provides additional information it does not tell the taxpayer the time frame for which the taxpayer's balance due payments are postponed. Again, taxpayers may locate the latest information about the ongoing tax disaster relief in their state, including the postponed due date, by scanning the QR code in the notice or visiting the IRS's website.

The IRS adds a coversheet to CP14 notices sent to Federal emergency and disaster areas

In June 2023, the IRS formed a *Disaster Zone Experience Team* to identify opportunities to further improve the notification process to taxpayers in disaster areas. IRS officials noted that, an interim solution was developed to provide individual taxpayers residing in a disaster area needed information "front and center" to avoid creating confusion for taxpayers who have more time to pay under a disaster declaration. Specifically, the IRS is developing a coversheet to be included with the CP14 notice that would inform the taxpayer that:

- They are in a Federally declared disaster area.
- They have been automatically granted relief.
- Their balance due was not due until the postponement date shown on the coversheet and to disregard the payment due date shown on page 3 (the start of the required CP14 notice).

IRS officials noted that this is an interim solution that would be implemented in Processing Year 2024 that will test many of the concepts needed in developing a potential permanent solution. The CP14 Coversheet, now known as a CP14C, began mailing the week of May 27, 2024, where and when applicable, for taxpayers that filed during Processing Year 2024. Figure 6 provides an example of the CP14C.

Figure 6: CP14C Coversheet Sent to Federal Emergency and Disaster Areas



Source: Internal Revenue Service.

The IRS is exploring the development of a new notice to be sent to those individual taxpayers in a Federally declared disaster area and have a balance due

The IRS stated that they are exploring the feasibility of a potential longer-term solution of creating a new notice (CP14D) that will be issued to individual taxpayers in Federally declared disaster areas who have a balance due, based on the postponement date. The CP14D would inform the taxpayer that:

- They are in a Federally declared disaster area.
- They have been automatically granted payment relief.

Additional Actions Are Needed to Clearly Inform Taxpayers in Federally Declared Disaster Areas of Balance Due Payment Postponement Timeframes

- Payment of the taxes on the notice is not due until the end of the postponement period shown on the notice as the due date.

The Office of Taxpayer Correspondence has partnered with the Small Business/Self-Employed Division and other stakeholders to explore a balance due notice for individuals in a disaster area that includes the postponed due date for filing and payment of taxes. This team is also exploring the additional programming changes that may be required, beyond those that were needed to implement the CP14C. According to the IRS, if feasible, the IRS does not plan to have this new notice available until the 2025 Filing Season at the earliest. However, as previously discussed, the IRS began mailing the CP14C (see Figure 6 above) as an interim solution during the week of May 27, 2024. The CP14C informs taxpayers that they are in a Federally declared disaster area, have been automatically granted relief, and the balance due is not due until the postponement date shown on the coversheet.

The IRS Plans to Improve Communications With Business Taxpayers in Disaster Areas

Most of the IRS's improvement efforts have been focused on individual taxpayers in Federally declared disaster areas. Similar efforts are needed to clearly inform business taxpayers in disaster areas that are sent a CP161, *Statutory Notice of Underpayment*, of the tax relief to which they are entitled. We identified that over 108,000 business taxpayers in a Federally declared disaster area received a CP161 notice demanding payment for an estimated \$651.9 million in taxes from February through September 2023. Within 35 days of receipt of the CP161 notice, approximately 31,151 business taxpayers (28.8 percent) made a payment to reduce the balance due. Of these, 29,680 business taxpayer accounts made approximately 30,893 payments, totaling \$60.3 million to pay the balance owed in full.

The Office of Taxpayer Correspondence stated that it is not working on any revisions related to the CP161 notice at this time. To date, the IRS's efforts to add additional information to the notices, revise the notices, and create a new notice have been focused on individual taxpayers in Federally declared disaster areas. IRS officials indicated that they plan to use the lessons learned relating to notifications revisions sent to individual taxpayers to determine what changes are needed to improve communication with business taxpayers. Finally, efforts to create the CP14D notice, which the IRS says presents extensive programming challenges, could be leveraged for the creation of a potential CP161D notice (a new notice that could be designed to be issued to business taxpayers in Federally declared emergency and disaster areas).

Recommendation 1: The Chief Tax Compliance Officer and Chief, Taxpayer Services should develop a coversheet to be included with and/or revise the CP161 notice to clearly inform business taxpayers that they are in a Federally declared disaster area, they have been automatically granted payment relief, and the payment of their balance due taxes is not due until the end of the postponement period shown on the coversheet and/or notice as the due date. If a coversheet is included with the CP161 notice, ensure that taxpayers are informed to disregard the payment due date shown on the CP161 notice.

Management's Response: IRS management agreed with this recommendation and plans to explore improvements to the CP161 balance due notice issued to businesses, building upon the similar improvements made for individual taxpayers.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this evaluation was to assess the impact of and need for the IRS to modify statutory notices to taxpayers to provide more specific information regarding the tax relief granted when in a Federally declared emergency or disaster area. To accomplish our objective, we:

- Determined what opportunities to improve the notice experience for taxpayers were accomplished in Federally declared disaster area through a discussion with the IRS special Disaster Zone Experience Team.
- Determined the actions needed to revise the CP14 and CP161, *Statutory Notice of Underpayment*.
- Determined the overall number of individual and business taxpayers granted tax relief by the IRS in a Federally Declared Emergency or Disaster Area from January through September 2023 by using the Business Master File or Individual Master File.
- Determined the overall number of CP14 and CP161, *Statutory Notice of Underpayment* issued to individual and business taxpayers that filed a current year tax return from January through September 2023 in a Federally Declared Disaster Area where tax relief was granted.
- Determined the overall number and amount of subsequent payments made by individual and business taxpayers responding to the CP14 or CP161, *Statutory Notice of Underpayment* within 35-days of the notice date with a full or partial payment.

Performance of This Review

This review was performed with information obtained from the Small Business and Self-Employed Division, Office of Taxpayer Correspondence, and the Office of the IRS Chief Counsel located in Washington, D.C., during the period January through May 2024. We conducted this evaluation in accordance with the Council of the Inspectors General for Integrity and Efficiency Quality Standards for Inspection and Evaluation. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objective.

Major contributors to the report were James Douglas, Director; John da Cruz, Supervisory Evaluator; Earl Burney, Lead Evaluator.

Data Validation Methodology

We performed tests to assess the reliability of data from the Business Master File, Individual Master File, and the Notice Delivery System. We evaluated the data by (1) performing electronic testing of required data elements, (2) reviewing existing information about the data and the

**Additional Actions Are Needed to Clearly Inform Taxpayers in Federally
Declared Disaster Areas of Balance Due Payment Postponement Timeframes**

system 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.

Appendix II

Outcome Measure

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

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; 108,083 business taxpayers located in a Federally declared disaster area who received a CP161 notice demanding payment of a balance due within 21 days or face additional penalty and interest charges. (see Recommendation 1).

Methodology Used to Measure the Reported Benefit:

Our analysis of the Business Master File identified 37,010,132 business taxpayer entity accounts that the IRS extended tax relief to the taxpayer in a Federal Emergency or Disaster Area declared by the Federal Emergency Management Agency for the period October 1, 2022, through August 24, 2023 (Cycle 202334). We matched 37,010,132 business taxpayer accounts located in a Federal Disaster Area to an extract of 1,292,338 CP161 notices issued from February through September 2023 nationwide using Taxpayer Identification Number and Taxpayer Identification Number Type and identified 108,083 business accounts that received a CP161 notice.

Appendix III

Management's Response to the Draft Report



COMMISSIONER
SMALL BUSINESS/SELF-EMPLOYED DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

August 29, 2024

MEMORANDUM FOR RUSSELL P. MARTIN

DEPUTY INSPECTOR GENERAL FOR INSPECTIONS AND
EVALUATIONS

FROM:

Lia Colbert

Amalia C.

Colbert

Commissioner, Small Business/Self-Employed Division

Digitally signed by Amalia
C. Colbert
Date: 2024.08.29
09:34:24 -0400

SUBJECT:

Draft Evaluation Report – Additional Actions Are Needed to
Clearly Inform Taxpayers in Federally Declared Disaster Areas
of Balance Due Payment Postponement Timeframes (IE-23-033)

When the Federal Emergency Management Agency issues a major disaster declaration providing individual assistance or an emergency measures declaration, the IRS provides affected taxpayers with disaster tax relief that includes postponement of many filing and payment deadlines. The IRS automatically identifies taxpayers whose principal residence or principal place of business is located in the disaster area based on their address of record with the IRS and applies relief. We announce the available relief in an IRS news release, working with local media to ensure the news reaches those who need it most. We appreciate TIGTA's review of our efforts to inform taxpayers in federally declared disaster areas of the disaster tax relief available to them and thank you for the opportunity to review and comment on the draft evaluation report.

In June 2023, taxpayers who filed a return during the most recent filing season without fully paying the liability shown expressed confusion at receiving Notice CP14, *Statutory Notice of Underpayment*, along with insert Notice 1155, *Disaster Relief from the IRS*. In response, the IRS re-examined how we communicate with taxpayers in disaster areas and took immediate action to provide clarity and reduce taxpayer burden.

Specifically, we issued a statement on our website (irs.gov), apologizing to taxpayers for the confusion they experienced, and sent clarification letters to the impacted individuals, providing information about the available disaster tax relief and assuring them they had additional time to pay. We included QR codes on these letters providing direct access to our disaster web page and Frequently Asked Questions (FAQs). We replaced the existing Notice 1155, *Disaster Relief from the IRS*, with a new notice, Notice 1462, *Important! You have more time to File and Pay Your Taxes Due to a Disaster*. Notice 1462 improved on Notice 1155 by clearly communicating to taxpayers in disaster areas that they have been granted disaster tax relief and have additional

time to pay. Further, the IRS formed a disaster notice experience team to identify and implement additional short- and long-term improvements.

Most notably, the IRS created a new Notice CP14C, *Important! You have more time to pay your taxes due to a disaster*, to send to individual taxpayers who qualify for disaster relief and file a balance due return before the end of the postponement period. The notice provides these individuals with the most important and relevant information they need – clear acknowledgment from the IRS that they are located in a disaster area and an accurate payment due date reflecting the additional time to pay. The IRS began sending the CP14C to individuals in disaster areas in May 2024 and the feedback received from several public stakeholder groups, including the IRS Advisory Council, on the CP14C has been positive. We plan to use feedback and other lessons learned to explore additional improvements for both individual and business taxpayers.

We appreciate TIGTA's recognition of the steps we have already taken to improve the experience for individual taxpayers and agree the IRS can improve how we communicate with businesses in disaster areas who receive statutory notices. We will explore improvements to the CP161 balance due notice issued to businesses, building upon the similar improvements made for individual taxpayers. With respect to the outcome measure, however, some businesses likely filed and paid before the end of the postponement period because they were able to do so, and not because of confusion regarding the postponed due date.

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

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**Additional Actions Are Needed to Clearly Inform Taxpayers in Federally
Declared Disaster Areas of Balance Due Payment Postponement Timeframes**

Attachment

RECOMMENDATION 1:

The Chief Tax Compliance Officer and Chief, Taxpayer Services should develop a coversheet to be included with and/or revise the CP161 notice to clearly inform business taxpayers that they are in a Federally declared disaster area, they have been automatically granted payment relief, and the payment of their balance due taxes is not due until the end of the postponement period shown on the coversheet and/or notice as the due date. If a coversheet is included with the CP161 notice, ensure taxpayers are informed to disregard the payment due date shown on the CP161 notice.

CORRECTIVE ACTION:

We agree. We are already exploring a dedicated CP14 balance due notice for individuals in a disaster area that includes the postponed due date for filing and payment of taxes, as well as gathering public feedback on the CP14C. We plan to apply what we learn from making these CP14 improvements to similarly improve the experience for business taxpayers. Because the CP161 is a more complex notice in terms of the number of tax types and periods covered, additional study is needed of the programming updates required to develop a CP161 cover sheet and/or revise the CP161 for business taxpayers in a disaster area. Representatives from across the IRS, including the Disaster Program Office, Submission Processing (the program owner of the CP161), Media and Publications, Office of Servicewide Penalties, Office of Servicewide Interest, and Information Technology will take part in this effort.

IMPLEMENTATION DATE:

By April 15, 2025, we will have a written plan for including a coversheet with and/or revising the CP161 notice issued in disaster areas.

RESPONSIBLE OFFICIAL:

Director, Human Capital Office, Small Business/Self Employed Division

CORRECTIVE ACTION MONITORING PLAN:

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



**To report fraud, waste, or abuse,
contact our hotline on the web at
<https://www.tigta.gov/reportcrime-misconduct>.**

**To make suggestions to improve IRS policies, processes, or systems
affecting taxpayers, contact us at www.tigta.gov/form/suggestions.**

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