



*Fiscal Year 2014 Statutory Audit of  
Compliance With Notifying Taxpayers  
of Their Rights When Requested to  
Extend the Assessment Statute*

**August 29, 2014**

**Reference Number: 2014-30-066**

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.

**Redaction Legend:**

1 = Tax Return/Return Information

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Phone Number / 202-622-6500

E-mail Address / [TIGTACommunications@tigta.treas.gov](mailto:TIGTACommunications@tigta.treas.gov)

Website / <http://www.treasury.gov/tigta>





TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

August 29, 2014

**MEMORANDUM FOR** DEPUTY COMMISSIONER FOR SERVICES AND  
ENFORCEMENT

**FROM:** Michael E. McKenney  
Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Fiscal Year 2014 Statutory Audit of Compliance  
With Notifying Taxpayers of Their Rights When Requested to Extend  
the Assessment Statute (Audit # 201430009)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) complied with Internal Revenue Code Section 6501(c)(4)(B), which requires that the IRS provide notice to taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or specific issues. The Treasury Inspector General for Tax Administration is statutorily required to provide information annually regarding the IRS's compliance with this provision. The review is part of our Fiscal Year 2014 Annual Audit Plan and addresses the major management challenge of Taxpayer Protection and Rights.

Although the Treasury Inspector General for Tax Administration made no recommendations in this report, we did provide IRS officials an opportunity to review the draft report. IRS management did not provide us with any report comments.

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



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*Abbreviations*

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



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## *Background*

The Internal Revenue Service (IRS) is required by the IRS Restructuring and Reform Act of 1998 (RRA 98)<sup>1</sup> and the Internal Revenue Code (I.R.C.)<sup>2</sup> to notify taxpayers of their rights when requesting an extension of the statute of limitations for the assessment of additional taxes and penalties. When the IRS audits a tax return and determines that there is an additional tax liability, the additional tax assessment must generally be processed within three years from the date the return was due or from the date on which the return was actually filed, whichever is later. This three-year assessment statute of limitations normally cannot be extended without the taxpayer's written consent.<sup>3</sup>

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

To extend the statute, the IRS generally requests that the taxpayer(s) provide a signed consent form, such as Form 872, *Consent to Extend the Time to Assess Tax*, or Form SS-10, *Consent to Extend the Time to Assess Employment Taxes*.<sup>4</sup> These consents extend the assessment statute of limitations to either a specific period of time or an unlimited, indefinite period. The statute is usually extended for a period of time that both the IRS and the taxpayer agree is reasonable to complete the examination. The consent can also be negotiated to apply only to certain audit issues.

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

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<sup>1</sup> RRA 98 Section (§) 3461(b)(2)(B), Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

<sup>2</sup> I.R.C. § 6501(c)(4)(B).

<sup>3</sup> There are some exceptions to the three-year statute of limitations. For example, I.R.C. § 6501(c)(1) extends the assessment statute indefinitely when false or fraudulent returns are filed.

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



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

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

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

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

Specifically, RRA 98 § 3461(b)(2)(B) requires the IRS to "...notify the taxpayer of the taxpayer's right to refuse to extend the period of limitations, or to limit such extension to

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

particular issues or to a particular period of time, on each occasion when the taxpayer is requested to provide such consent." To implement this statutory requirement, the IRS revised its procedures to direct IRS employees to provide the taxpayer with a Letter 907, *Request to Extend Assessment Statute*, or Letter 967, *Letter Transmitting Consent Extending Period of Limitation*. Included with these letters should be the actual consent forms to be signed and Publication 1035, *Extending the Tax Assessment Period*.

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



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Figure 1: Excerpt of Form 872

Form 872 (Rev. January 2014) Department of the Treasury-Internal Revenue Service Consent to Extend the Time to Assess Tax In reply refer to: TIN

Your Rights as a Taxpayer

You have the right to refuse to extend the period of limitations or limit this extension to a mutually agreed-upon issue(s) or mutually agreed-upon period of time. Publication 1035, Extending the Tax Assessment Period, provides a more detailed explanation of your rights and the consequences of the choices you may make.

YOUR SIGNATURE HERE (Date signed) (Type or Print Name)

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

TAXPAYER'S REPRESENTATIVE SIGN HERE (Only needed if signing on behalf of the taxpayer.) (Date signed) (Type or Print Name)

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

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

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

IRS procedures require that any notice or other written communication required to be given to a taxpayer also be given to the taxpayer's representative (unless restricted by the taxpayer).5 IRS employees are instructed to document in their audit file activity log whether the taxpayer was notified of his or her rights each time the IRS requested an assessment statute extension.

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

This review was performed with information obtained from the Office of Appeals, the Large Business and International Division, and the Tax Exempt and Government Entities Division

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

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



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Headquarters in Washington, D.C.; the Small Business/Self-Employed Division Headquarters in New Carrollton, Maryland; and the Wage and Investment Division Headquarters in Atlanta, Georgia, during the period October 2013 through June 2014. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



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Results of Review

The Internal Revenue Service Is Generally Compliant With Legal Requirements Related to Requests to Extend the Assessment Statute

The IRS is required to notify taxpayers of their rights when requesting an extension of the statute of limitations for assessing additional taxes and penalties. Based on the results of this review, TIGTA believes that the IRS is generally compliant with legal requirements<sup>7</sup> as we identified only a few instances in which the audit files lacked documentation that the taxpayer or the taxpayer’s representative were properly notified of the taxpayer’s rights. Taxpayers might be adversely affected if the IRS does not follow the requirements to notify both the taxpayers and their representatives of the taxpayers’ rights related to assessment statute extensions.

\*\*\*\*\*1\*\*\*\*\*

Our review of 59 closed audit files in which taxpayers signed consents to extend the assessment statute date showed that the IRS is generally compliant with I.R.C. § 6501(c)(4)(B), which requires that the IRS provide notice to taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to a specific period of time or specific issues. However, \*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*8\*\*\*\*\*1\*\*\*\*\*9\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*.<sup>10</sup> The IRS is required by law to separately notify each individual filing a joint tax return of the taxpayer’s rights regarding extending the assessment statute of limitations. Specifically, under the Notes to RRA 98 § 3201(d)<sup>11</sup> and the Notes to I.R.C. § 6013, the IRS shall, wherever practicable, send separately to each individual filing a joint tax return any notice relating to the joint return. However, \*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\* . The

<sup>7</sup> I.R.C. § 6501(c)(4)(B).

<sup>8</sup> The error rate of \*\*1\*\*percent includes a 90 percent confidence interval between 0.09 percent (lower limit) and 7.80 percent (upper limit). The rate used for projecting to the population is \*\*1\*\* percent, which is further explained in Appendix IV.

<sup>9</sup> Our statistical sample was a simple random sample, which is a probability sample (*i.e.*, statistical sample) where each sample of a given size has an equal chance of being selected. The sample results can be projected to the population.

<sup>10</sup> \*\*\*\*\*1\*\*\*\*\*

<sup>11</sup> RRA 98 § 3201(d), Pub. L. No. 105-206, 112 Stat. 740.





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\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*

When determining whether IRS employees had advised taxpayers of their rights, we considered the notification to be sufficient if any of the required documentation appeared to have been given to the taxpayers or a log entry to that effect was found in the related taxpayer audit files. \*\*1\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*

Taxpayers could be negatively affected if the IRS does not comply with statutory procedures requiring that the IRS separately notify each individual filing a joint tax return of his or her rights related to an extension of the assessment statute of limitations. Based on our sample results, from a universe of 21,228 taxpayer audit files with statute extensions, we projected that there were approximately \*\*\*1\*\*\* taxpayer audit files<sup>13</sup> that did not contain documentation to support that the taxpayers were properly advised of their rights when assessment statutes were extended. However, because the number of errors was relatively small and consistent with prior years, we are not making any recommendations for this issue.

\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*

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

While IRS employees documented that the taxpayers were informed of their rights and the taxpayers signed the extensions, \*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\* . Our review of a statistical sample of 59 taxpayer audit files included 32 taxpayer audit files that had authorizations for third parties to represent the taxpayers before the IRS. Of these 32 taxpayer audit files, \*\*\*\*1\*\*\*\*<sup>14</sup> \*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\* . \*\*\*\*1\*\*

<sup>13</sup> We are 90 percent confident that the number of taxpayer audit files that did not contain documentation to support that the taxpayers were properly advised of their rights when assessment statutes were extended is between 17 and 1,486 (where the 17 and 1,486 represent the lower and upper range, respectively). See Appendix IV for additional details.

<sup>14</sup> The error rate of \*\*\*1\*\*\*percent is rounded to the nearest hundredth percent, with a 90 percent confidence interval between 0.16 percent (lower limit) and 14 percent (upper limit). The rate used for projecting to the population is \*\*\*1\*\*\* percent, which is further explained in Appendix IV.



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\*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*. Based on our sample results, from a universe of 21,228 taxpayer audit files with statute extensions, we projected there were approximately \*\*\*1\*\*\* taxpayer audit files that did not contain documentation to support that the taxpayers' representatives were provided with the required notifications.<sup>15</sup>

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

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<sup>15</sup> We are 90 percent confident that the number of taxpayer audit files that did not contain documentation to support that the taxpayers' representatives were provided with the required notifications is between 17 and 1,486 (where the 17 and 1,486 represent the lower and upper range, respectively). See Appendix IV for additional details.



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## **Appendix I**

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

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

- I. Determined whether taxpayers and their designated representatives are being advised of their rights when the IRS requests to extend the assessment statute of limitations.
  - A. Reviewed the Internal Revenue Manual<sup>1</sup> and consulted with IRS officials to determine if there were any changes to existing policies and procedures for processing requests to extend the assessment statute of limitations since our last audit.
  - B. Identified a universe of 21,228 taxpayer audit files from the combined Individual Master File (IMF)<sup>2</sup> and Business Master File (BMF)<sup>3</sup> with closed examinations for which the assessment statute was extended and the examination subsequently closed. The period covered the IMF and BMF taxpayer audit files for which the assessment statute was extended between October 1, 2012, and September 30, 2013.
    1. Validated the IMF and the BMF data by examining a judgmental sample of 30 (15 from each extract) taxpayer audit files. This judgmental sample was used for data validation and not for projecting or reporting results. The validation test results demonstrated that the data extracts were reliable and could be used to meet the objective of this audit.
    2. Developed a statistical sampling plan using a 90 percent confidence level, a 6 percent expected error rate, and a  $\pm 5$  percent precision to identify a sample size of 59 taxpayer audit files. A statistical sample was taken because we wanted to estimate the number of taxpayers in the universe for which taxpayer rights were potentially affected.
    3. Used RAT-STATS<sup>4</sup> to select a sample of 183 taxpayer audit files from the universe identified in Step I.B. We selected more than our sample of 59 taxpayer

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<sup>1</sup> Internal Revenue Manual 25.6.22 (August 26, 2011).

<sup>2</sup> The IRS database that maintains transactions or records of individual tax accounts.

<sup>3</sup> 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.

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



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audit files in the event that some of the files received were incomplete, *e.g.*, did not include all related tax years, audit file history notes, *etc.*, which would prevent us from performing our review of such files. We screened 66 of the taxpayer audit files received. Of those 66 taxpayer audit files, we identified 59 complete taxpayer audit files that had statute extensions with the taxpayer's written consent.

- C. Reviewed the sample of 59 taxpayer audit files and related audit files for the necessary documentation to determine whether taxpayers and their representatives, if applicable, were properly advised of their rights regarding assessment statute extensions. We then discussed exceptions with the appropriate business unit coordinator for agreement to the facts.
1. We projected our sample results to the universe of 21,228 from which we selected our sample to identify the number of audit files that potentially did not contain documentation to support that the taxpayers or taxpayers' representatives were properly advised of the taxpayer's rights when assessment statutes were extended. TIGTA's contracted statistician reviewed our methodology and projections.

**Internal controls methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the policies, procedures, and practices used by the Office of Appeals, the Large Business and International Division, the Small Business/Self-Employed Division, the Tax Exempt and Government Entities Division, and the Wage and Investment Division as they relate to notifying taxpayers of their rights to decline to extend the assessment statute of limitations or request that any extension be limited to a specific period of time or specific issues. We evaluated these controls by reviewing applicable Internal Revenue Manual sections and documentation, interviewing management from these functions, and reviewing a statistical sample of 59 taxpayer audit files.



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**Appendix II**

*Major Contributors to This Report*

Nancy Nakamura, Assistant Inspector General for Audit (Compliance and Enforcement Operations)  
Bryce Kisler, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations)  
Glen Rhoades, Director  
Michelle Philpott, Audit Manager  
Tina Fitzsimmons, Lead Auditor  
Malissa Livingston, Senior Auditor  
William Tran, Senior Auditor  
Jena R. Whitley, Senior Auditor  
Lara E. Phillippe, Auditor  
Donald J. Meyer, Information Technology Specialist



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**Appendix III**

*Report Distribution List*

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



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Commissioner, Wage and Investment Division SE:W  
Chief, Appeals AP



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**Appendix IV**

*Sampling Methodology*

**Sampling Methodology Used for Taxpayer Notifications:**

To determine the number of taxpayer audit files for which there was no documentation to support that the taxpayers were advised of their rights, we identified 21,228 taxpayer audit files from the combined universe of IMF and BMF closed taxpayer audit files in which the assessment statute was extended and the examination subsequently closed. The period covered the IMF and BMF taxpayer audit files for which the assessment statute was extended between October 1, 2012, and September 30, 2013. We used a 90 percent confidence level, a 6 percent expected error rate, and a  $\pm 5$  percent precision to select a statistical sample size of 59 taxpayer audit files.

After screening 66 taxpayer audit files, we met our sample size of 59 taxpayer audit files. The remaining seven taxpayer audit files were not included in our sample as they did not meet our criteria, *i.e.*, the audit file lacked a statute extension consent form.<sup>1</sup>

We reviewed the sample of 59 taxpayer audit files and identified \*\*\*\*\*1\*\*\*\*\*  
\*\*\*\*\*1\*\*\*\*\*. Because we determined, as previously noted, that a percentage of our sample population included taxpayer audit files that did not meet our criteria, *i.e.*, the audit file lacked a statute extension consent form, we had to account for this when projecting our results to the population. Therefore, our rate to project to the population was based on the 59 taxpayer audit files we reviewed as well as the seven taxpayer audit files we screened that did not meet our criteria (7 + 59 = 66 taxpayer audit files). For instance, we calculated our rate by dividing \*\*\*1\*\*\* by 66 and used that percentage (\*\*\*1\*\*\* percent) to project to the population. Next, we multiplied \*\*\*1\*\*\* percent by the population size to project the total number of taxpayer audit files that did not contain documentation that the taxpayers were properly advised of their rights (21,228 \* \*\*\*1\*\*\* percent = approximately \*\*\*1\*\*\* taxpayer audit files).

The range of lower and upper limits was then calculated using this rate to produce a 90 percent confidence interval between 0.08 percent (lower limit) and 7 percent (upper limit). Specifically, the lower and upper limits were calculated by multiplying the population size by the 0.08 percent rate (21,228 \* .08 percent) and 7 percent rate (21,228 \* 7 percent), respectively. We are 90 percent confident that the range of procedural errors, *i.e.*, the number of taxpayer audit files that did not contain documentation to support that the taxpayers were properly advised of their rights

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<sup>1</sup> These seven audit files included statute extensions due to procedural issues, which do not require the taxpayer's consent to extend the statute. Therefore, we did not test these audit files to determine whether the IRS properly advised the taxpayer or the taxpayer's representatives of the taxpayer's rights.



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by the IRS when assessment statutes were extended, is between 17 (lower limit) and 1,486 (upper limit).

**Sampling Methodology Used for Taxpayer Representative Notifications:**

We reviewed the same sample of 59 taxpayer audit files and identified 32 taxpayer audit files that contained an authorization for a third party to represent the taxpayer before the IRS. In **\*\*1\*\***percent) of the 32 taxpayer audit files, **\*\*\*\*\*1\*\*\*\*\***  
**\*\*\*\*\*1\*\*\*\*\***  
**\*\*1\*\***. Although we were able to determine that there were 32 taxpayer representatives in our sample of 59 taxpayer audit files, we were unable to determine the true number of taxpayer representatives in our universe of 21,228 taxpayer audit files with statute extensions. In addition, because we determined that a percentage of our population included taxpayer audit files that did not meet our criteria, *i.e.*, the audit file lacked a statute extension consent form, we had to account for this when projecting our results to the population. Therefore, our rate to project to the population was based on the 59 taxpayer audit files we reviewed as well as the seven taxpayer audit files we screened that did not meet our criteria (7 + 59 = 66 taxpayer audit files). We then calculated our rate by dividing **\*\*1\*\*** by 66 and used that percentage (**\*\*1\*\***percent) to project to the population. Next, we multiplied **\*\*1\*\*** percent by the population size to project the total number of taxpayer audit files that did not contain documentation that the taxpayers' representatives were advised of the taxpayers' rights (21,228 \* **\*\*1\*\*** percent = approximately **\*\*1\*\*** taxpayer audit case files).

The range of lower and upper limits was then calculated using this rate to produce a 90 percent confidence interval between 0.08 percent (lower limit) and 7 percent (upper limit). Specifically, the lower and upper limits were calculated by multiplying the population size by the 0.08 percent rate (21,228 \* .08 percent) and 7 percent rate (21,228 \* 7 percent), respectively. We are 90 percent confident that the range of errors, *i.e.*, the number of taxpayer audit files that did not contain documentation to support that the taxpayers' representatives were provided with the required notifications, is between 17 (lower limit) and 1,486 (upper limit).



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**Appendix V**

*Prior Reports on Compliance With  
Requests to Extend the Assessment Statute*

1. TIGTA, Ref. No. 2013-30-071, *Fiscal Year 2013 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Jul. 2013).
2. TIGTA, Ref. No. 2012-30-102, *Fiscal Year 2012 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Sept. 2012).
3. TIGTA, Ref. No. 2011-30-055, *Fiscal Year 2011 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Jun. 2011).
4. TIGTA, Ref. No. 2010-30-103, *Fiscal Year 2010 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Aug. 2010).
5. TIGTA, Ref. No. 2009-30-113, *Fiscal Year 2009 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Aug. 2009).
6. TIGTA, Ref. No. 2008-40-127, *Fiscal Year 2008 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Jun. 2008).
7. TIGTA, Ref. No. 2007-40-167, *Fiscal Year 2007 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Aug. 2007).
8. TIGTA, Ref. No. 2006-40-163, *Fiscal Year 2006 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Sept. 2006).
9. TIGTA, Ref. No. 2005-40-112, *Fiscal Year 2005 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Jul. 2005).
10. TIGTA, Ref. No. 2004-40-108, *Fiscal Year 2004 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Jun. 2004).



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11. TIGTA, Ref. No. 2003-40-193, *Fiscal Year 2003 Statutory Audit of Compliance With Notifying Taxpayers of Their Rights When Requested to Extend the Assessment Statute* (Sept. 2003).
12. TIGTA, Ref. No. 2002-40-175, *Improved Documentation Is Needed to Ensure Taxpayers Are Informed of Their Rights When Requested to Extend the Assessment Statute* (Sept. 2002).
13. TIGTA, Ref. No. 2001-10-157, *Most Taxpayers Are Advised of Their Rights Before Signing an Agreement to Extend the Assessment Statute of Limitations* (Sept. 2001).
14. TIGTA, Ref. No. 2000-10-142, *Information Provided to Taxpayers When Requesting Extensions of the Assessment Statute of Limitations Can Be Improved* (Sept. 2000).



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**Appendix VI**

*Audit Review Results by Division*

<b>Compliance With Requirement to Notify Taxpayers of Their Rights</b>	<b>Division</b>					<b>Totals</b>
	<b>Appeals</b>	<b>LB&amp;I</b>	<b>SB/SE</b>	<b>TE/GE</b>	<b>W&amp;I</b>	
Number of Taxpayer Audit Files That Did Not Contain Documentation That Taxpayers Were Properly Notified of Their Rights As Required by Law	**1**	**1**	**1**	**1**	**1**	**1**
Number of Taxpayer Audit Files Reviewed	10	14	34	1	0	<b>59</b>

<b>Compliance With Requirement to Notify Representatives of Taxpayer Rights</b>	<b>Division</b>					<b>Totals</b>
	<b>Appeals</b>	<b>LB&amp;I</b>	<b>SB/SE</b>	<b>TE/GE</b>	<b>W&amp;I</b>	
Number of Taxpayer Audit Files That Did Not Contain Documentation That Taxpayers' Representatives Were Provided With Copies of the Notification of the Taxpayers' Rights	**1**	**1**	**1**	**1**	**1**	**1**
Number of Taxpayer Audit Files Reviewed	5	8	18	1	0	<b>32</b>

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