

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Fiscal Year 2025 Statutory Review of Compliance With Legal Guidelines When Issuing Levies

September 4, 2025

Report Number: 2025-300-042

This 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: Fiscal Year 2025 Statutory Review of Compliance With Legal Guidelines When Issuing Levies

Final Audit Report issued on September 4, 2025

Report Number 2025-300-042

Why TIGTA Did This Audit

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 Internal Revenue Code § 6330 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

The IRS generally complied with legal and administrative requirements. We reviewed levies issued by Field Collection revenue officers for more than 46,182 taxpayers during the period July 1, 2023, through June 30, 2024. We identified 357 instances of noncompliance that resulted in potential violations of taxpayers' rights and an estimated 472 instances of noncompliance that resulted in taxpayers being burdened, including:

SUMMARY OF RESULTS



96 violations in which levies were erroneously issued to taxpayers while a CDP levy hearing was pending. There were 4 taxpayers in which the prohibited levies resulted in payments totaling \$37,989.



43 violations in which taxpayers were not notified of their CDP rights. There were 4 taxpayers in which the prohibited levies resulted in levy payments totaling \$442,555.



106 violations in which taxpayers were not timely notified of their CDP rights. There were 13 taxpayers in which the prohibited levies resulted in payments totaling \$178,044.



112 violations in which taxpayers did not receive a new CDP levy notice after an additional tax assessment was made. There were 21 taxpayers in which the prohibited levies resulted in payments totaling \$275,948.

Of these 357 instances of prohibited levies, we identified 42 taxpayers on whom the IRS conducted prohibited levies yielding payments from taxpayers totaling more than \$900,000.

What TIGTA Recommended

We made four recommendations to help improve the proper issuance of levies by the IRS, including that management revise procedures to require revenue officers, prior to taking levy action, to verify that the taxpayer has received the proper CDP hearing notice and refund taxpayer proceeds in which the prohibited levies resulted in payments.

IRS management agreed with three of the recommendations and partially agreed with one of the recommendations. For the second recommendation, the IRS partially agreed and plans to issue refunds to the affected taxpayers; however, the IRS also plans to obtain authorization to retain funds secured when applicable.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20024

September 4, 2025

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Diana M. Tengesdal
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Fiscal Year 2025 Statutory Review of Compliance
With Legal Guidelines When Issuing Levies (Audit No.: 2025300003)

This report presents the results of our review of 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 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 2025 Annual Audit Plan and addresses the major management and performance challenge 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, pursuant to the Internal Revenue Code (I.R.C.) §§ 6331(a) and (b), the Internal Revenue Service (IRS) has the authority to work directly with financial institutions and other third parties to seize taxpayers' assets.¹ This action is commonly referred to as a "levy" (see Appendix III for an example of Form 668-A, *Notice of Levy* and Form 668-W, *Notice of Levy on Wages, Salary, and Other Income*). I.R.C. § 6331(d) generally requires the IRS to provide taxpayers and employers notice of its intention to levy at least 30 calendar days before initiating the levy action.

The IRS Restructuring and Reform Act of 1998 expanded upon this notice requirement by creating I.R.C. § 6330, which requires the IRS to notify taxpayers, on the first notice of intent to levy, of their right to request a Collection Due Process (CDP) hearing.² At a CDP hearing the taxpayer can raise various issues with respect to the proposed levy including spousal defenses, challenges to the appropriateness of collection actions, and offers of collection alternatives.³ The taxpayer is required to be notified again prior to levy whenever any new (additional) tax assessments are applied to the same period. 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.⁴ These taxpayers must still be given their CDP rights within a reasonable period of time after the levy. In addition, collection action is not taken if another arrangement is worked out, the amount is found not to be due, or there is a hardship determination.

I.R.C. §§ 6330(a) and (e) requires that all levy actions be suspended during the 30 calendar days prior to the levy 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. According to I.R.C. § 6330(b), CDP rights include the right to a fair and impartial hearing before the IRS Independent Office of Appeals (Appeals). The notice required by I.R.C. § 6330(a)(3) 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.

The IRS Restructuring and Reform Act of 1998 also requires TIGTA to annually verify whether the IRS is complying with the required procedures under I.R.C. § 6330. This review focuses on whether the IRS provided 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 an exception for those situations listed under I.R.C. § 6330(f). This is the 27th year in which we have evaluated the

¹ See Appendix IV for a glossary of terms.

² Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2, 5, 16, 19, 22, 23, 26, 31, 38, and 49 U.S.C.).

³ I.R.C. §§ 6330(a)–(c).

⁴ 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."

controls over levies. While levies can be issued for monetary or physical assets, this report specifically addresses levies of taxpayers' monetary assets.⁵

The manual and systemic levy process involves multiple steps

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 levy notice (Notice of Intent to Levy) that informs taxpayers of their right to a CDP levy hearing.⁶ After the conclusion of the CDP hearing (including appeal rights and judicial review, if those rights are exercised), the IRS may take 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). In addition, the IRS can seize both personal and real property. The following is a brief description of the functions and processes through which levies on financial assets occur, which includes IRS ACS sites, Field Collection, and the ALPs.

- IRS ACS sites have 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 functions 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 preparing 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 preparing the levy.
- The ALPs operate electronically without employee action and proceeds are received electronically. The four ALPs are:
 - **Federal Payment Levy Program** – 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** – Levy attaches to participating state income tax refunds.
 - **Municipal Tax Levy Program** – Levy attaches to participating local municipal income tax refunds.

⁵ 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 in a separate review.

⁶ 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.

- **Alaska Permanent Fund Dividend Levy Program** – Levy attaches to the Permanent Fund Dividend distributed by the state of Alaska.

Revenue officer involvement in the levy process may vary depending on the method

Sometimes balance due notices do not successfully resolve delinquent accounts, and taxpayer cases must be assigned to revenue officers in field collection offices for face-to-face contact with taxpayers. Revenue officers use the ICS to record collection activity on the delinquent taxpayer cases and to generate enforcement actions such as levies. Revenue officers request a levy through the ICS (an ICS Systemic levy).

The IRS uses an automated control in the ICS that prevents systemic levies from being issued unless taxpayers have been provided notice of their CDP rights at least 30 calendar days prior to the issuance of the levies. If no CDP letter has been sent, or fewer than 30 calendar days have elapsed since the CDP levy notice date, the ICS will not generate a levy.

There are exceptions to CDP hearings occurring before the levy or pre-levy. For example, pursuant to I.R.C. § 6330(f), the IRS is permitted to issue a CDP levy notice after the levy issuance for levies on state income tax refunds, federal contractors, disqualified employment tax levies, and when the collection of tax is in jeopardy.

Most CDP notice processes are systemic, in which there is less risk of human error. There is a higher risk of noncompliance with I.R.C. § 6330 and related regulations when ACS collection representatives and revenue officers issue manual levies. Therefore, the IRS should try to minimize the use of manual levies.

In response to our Fiscal Year (FY) 2023 review, the Small Business/Self-Employed (SB/SE) Division, Collection Policy, conducted a review of 42 manual levies.⁷ This review determined that manual levies could be significantly reduced if revenue officers input the Letter 1058, *Notice of Intent to Levy*, delivery method in ICS, as required, and more emphasis/training is needed to remind revenue officers to issue Letter 1058s on additional assessments and use systemic levies when possible.

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.⁸ However, the IRS does not collect any details about these levies, such as the Taxpayer Identification Number, the tax year, or the date of the levy. Therefore, we performed data searches through ICS history files for indications of manual levies to test a sample as part of our review.

Figure 1 shows the number of notices of levy served on third parties by the ACS and Field Collection programs for Fiscal Years 2020 through 2024.

⁷ TIGTA, Report No. 2023-30-066, [Fiscal Year 2023 Statutory Review of Compliance With Legal Guidelines When Issuing Levies](#) p. 15 Recommendation 7 (September 2023).

⁸ TIGTA, Report No. 2019-30-070, [Fiscal Year 2019 Statutory Review of Compliance With Legal Guidelines When Issuing Levies](#) p. 3 (September 2019).

Figure 1: Notices of Levy Served on Third Parties by the ACS and Field Collection Programs Are Returning to Pre-Pandemic Levels

Fiscal Year	Levies
2020	396,000
2021	306,000
2022	273,000
2023	286,000
2024	314,000

Source: IRS Data Books and IRS internal reports.⁹

After a few years of declines, the number of levies increased 13 percent from FY 2023 to FY 2024 after the IRS restarted levies that were paused several times during the pandemic.

We determined that there were 291,928 systemic levies and 611 manual levies issued from July 1, 2023, through June 30, 2024. In last year's review, we reported that there were over 2,500 manual levies issued during the review period. According to the IRS, the decrease in the number of manual levies was likely a consequence of more revenue officers serving as on-the-job instructors to train revenue officers that were hired during this review period. Revenue officers serving as on-the-job instructors typically have their inventories significantly reduced.

Similar to last year's review, there were no ALP or ACS levies issued during this audit period. The IRS provided us with the following information regarding when ALP and ACS levies resumed:

- Alaska Permanent Fund Dividend Levy Program fully restarted on July 2, 2024.
- Federal Payment Levy Program
 - Partially restarted on August 19, 2024, with taxpayers who previously had a CDP and two Federal Payment Levy Program payments.
 - On February 14, 2025, all Federal Salary and Retirement levies restarted.
 - On April 25, 2025, all levies on federal contractor/vendor payments restarted.
 - Federal Payment Levy Program pause will remain for social security income at this time. The IRS plans to restart the Federal Payment Levy Program this summer (2025) depending on the impact these levies will have on IRS resources.
- State Income Tax Levy Program and Municipal Tax Levy Program fully restarted January 24, 2025.
- ACS levies restarted on April 21, 2025. According to the IRS, as of May 10, 2025, 1,837 notices were issued in April 2025, and 490 notices were issued for May 2025.

During FY 2024, the IRS hired 747 new revenue officers. Since January 2025, the IRS has taken steps to reduce the size of its workforce to comply with the President's executive orders and Office of Personnel Management (OPM) guidance.¹⁰ Employees were encouraged to take

⁹ The number of levies is rounded to the nearest thousand.

¹⁰ Presidential Memorandum, *Hiring Freeze, Memorandum for Heads of Executive Departments and Agencies*, 90 FR 8247 (January 20, 2025); Executive Order 14158, *Establishing and Implementing the President's "Department of Government Efficiency"* (January 20, 2025); Executive Order 14217, *Commencing the Reduction of the Federal Bureaucracy* (February 19, 2025).

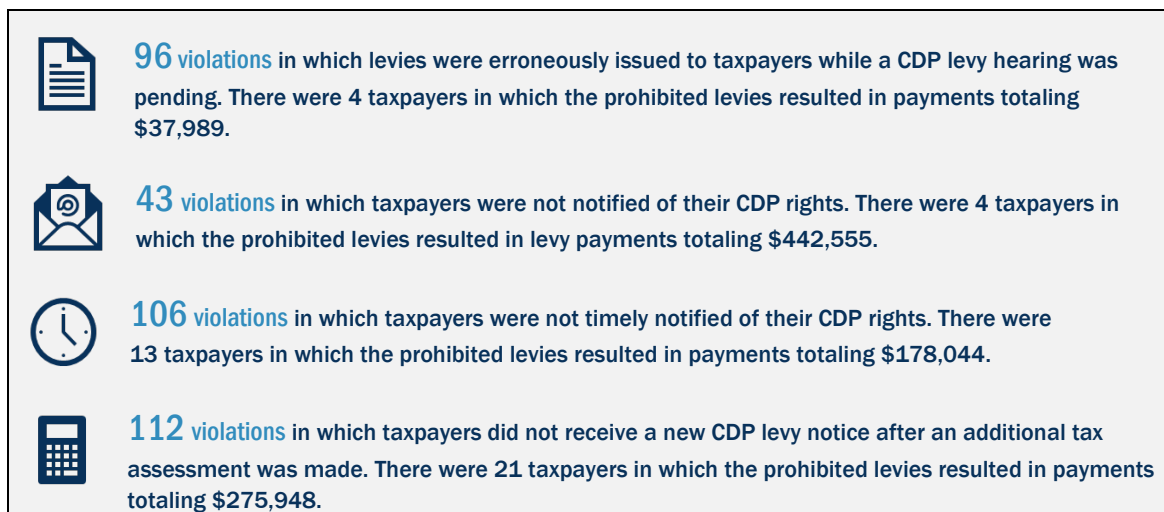
deferred resignation program (DRP) offers or other incentives to separate. Overall, the SB/SE Division has lost 611 revenue officers as of March 28, 2025.¹¹

Results of Review

Revenue Officers Issued More Than 99 Percent of Levies Properly

Of the 46,182 taxpayers with ICS systemic levies issued by revenue officers in Field Collection from July 1, 2023, to June 30, 2024, more than 99 percent of the levies were issued properly, showing that the IRS generally complied with legal and administrative requirements. However, there were some instances of noncompliance resulting in 357 violations impacting the rights of 354 taxpayers.¹² We identified 42 taxpayers in which the prohibited levies resulted in payments from taxpayers totaling more than \$900,000.

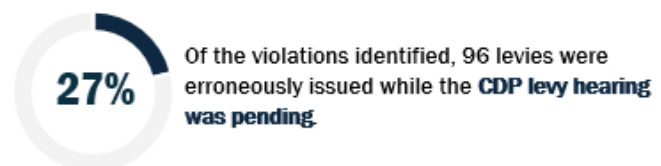
Figure 2: Summary of Noncompliance



Source: Analysis of case review results.

Revenue officers took prohibited levy action on some taxpayers while their CDP levy hearings were pending

Revenue officers took levy action on 96 taxpayers (27 percent of the 357 violations) while their respective CDP levy hearing was pending. After reviewing the accounts of the impacted taxpayers, we identified 4 taxpayers in which the prohibited levies resulted in payments totaling \$37,989.



¹¹ TIGTA, Report No. 2025-IE-R017, [Snapshot Report: IRS Workforce Reductions as of March 2025](#), p. 5 Figure 5 (May 2025).

¹² Three taxpayers had more than one type of violation.

IRS management agreed that all 96 cases were taxpayer rights violations. According to IRS management, these violations occurred for several reasons. Specifically, for:

- 73 taxpayers – revenue officer errors resulted in levies being issued despite the taxpayer’s timely request for a CDP levy hearing.
- 23 taxpayers – a programming issue allowed ICS system to generate levies during an open CDP levy hearing.

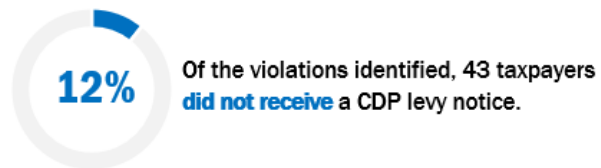
When mail or faxes containing a request for a CDP levy hearing are received by the revenue officer, the revenue officer must:

1. Determine if the hearing request is complete and can be processed.
2. Determine if the hearing request is timely.
3. If the hearing request is timely and can be processed, document receipt in the system as soon as possible, but no later than 10 calendar days from receipt as per the Internal Revenue Manual (IRM).

It is critical that employees check for CDP hearing requests and input these requests timely and properly when received in order to allow systemic controls to prevent improper levies. Improper levies can result in civil lawsuits filed under I.R.C. § 7433 based on employee misconduct.

Revenue officers did not always notify taxpayers of their CDP rights prior to taking levy action

Revenue officers did not send a CDP levy notice to 43 taxpayers (12 percent of the 357 violations). After reviewing the accounts of the impacted taxpayers, we identified 4 taxpayers in which the prohibited levies resulted in payments totaling \$442,555.



IRS management agreed that all 43 cases were taxpayer rights violations. According to IRS management, these violations occurred for several reasons. Specifically, for:

- 38 taxpayers – revenue officer errors resulted in levies being issued when the taxpayer had not been notified of their CDP rights.
- 3 taxpayers – a technology error occurred when the Letter 1058 was reversed on certain periods in ICS, but the reversal did not change the final notice and demand date and was allowing levy action.

- [REDACTED]

If taxpayers are not provided with a CDP levy notice prior to being levied, then they may not know that they can request a CDP hearing, resulting in taxpayer rights violations.

In response to our FY 2024 audit, the IRS agreed to update IRM 5.11.2 which provides revenue officers, collection advisors and specialty collection insolvency advisors with directions regarding how to complete levy actions. However, our past and current reviews found that the IRS lacks training and oversight of meeting pre-levy requirements listed in this IRM despite numerous programming changes and our recommendations. During this year’s review, IRS management

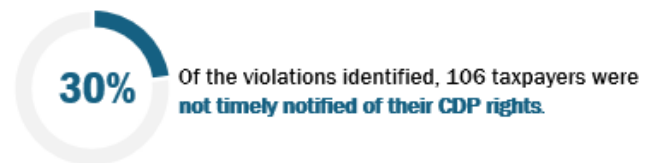
advised us that these exceptions will be addressed by the planned changes to IRM 5.11.2.2.1(1). The planned changes will read as follows:

- “Note: You must manually verify for “ICS only” balance due modules that the module has received the proper CDP hearing notice and Third-Party Contact notice before levying.”
- “Note: Always issue levies systemically rather than manually if possible.”

I.R.C. § 1204(b) requires 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.” This provision of the law was enacted to provide assurance that all employee performance is focused on providing quality service to taxpayers instead of achieving enforcement results. The fair and equitable treatment of taxpayers applies to the issuance of levies.

Revenue officers did not always timely notify taxpayers of their CDP rights prior to taking levy action

Revenue officers did not timely send a CDP levy notice to 106 taxpayers (30 percent of the 357 violations). After reviewing the accounts of the impacted taxpayers, we identified 13 taxpayers in which the prohibited levies resulted in payments totaling \$178,044.



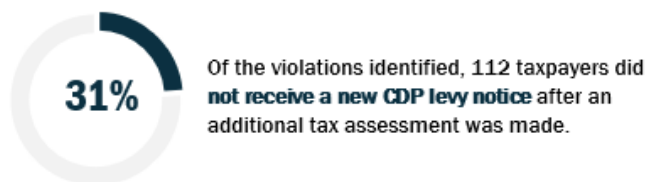
IRS management agreed that all 106 cases were taxpayer rights violations. According to IRS management, these violations occurred for several reasons. Specifically, for:

- 103 taxpayers – revenue officer errors resulted in levies being issued before the end of the 30-day notice period.
- Three taxpayers – technology errors resulted in levies being issued when the taxpayer had not been timely notified of their CDP rights.

A taxpayer’s rights are violated if they are not provided with timely notification of their right to request a CDP hearing.

Revenue officers did not always notify taxpayers of their CDP rights when additional tax assessments were made

Revenue officers did not send a new CDP levy notice to 112 taxpayers (31 percent of the 357 violations) after an additional tax assessment was made. After reviewing the accounts of the impacted taxpayers, we identified 21 taxpayers in which the prohibited levies resulted in payments totaling \$275,948.



IRS management agreed that all 112 cases were taxpayer rights violations. According to IRS management, these violations occurred for several reasons. Specifically, for:

- 111 taxpayers - system errors resulted in levies being issued when the taxpayer had not been notified of their CDP rights when additional tax assessments were made.

If taxpayers are not provided with a new CDP levy notice for additional assessments prior to being levied, then they may not know that they can request a CDP hearing, resulting in taxpayer rights violations.

Overall, there were 42 taxpayers in which the prohibited levies resulted in payments over \$900,000.¹³

The Director, Collection Policy, SB/SE Division, should:

Recommendation 1: Revise the IRM to require revenue officers to verify that the CDP hearing notice has been issued prior to taking levy action.

Management's Response: IRS management agreed with this recommendation and plans to revise the IRM 5.11.1.3.2 to require revenue officers to verify that the CDP hearing notice has been issued prior to taking levy action.

Recommendation 2: Refund the proceeds from the prohibited levies to the 42 taxpayers that we identified during this review.

Management's Response: IRS management partially agreed with this recommendation and plans to issue refunds to the affected taxpayers; however, the IRS also plans to obtain authorization to retain funds secured when applicable.

Recommendation 3: The Director, Field Collection, SB/SE Division should ensure employees, and their managers review prohibited levy actions identified in this report, and in employee performance reviews, and take appropriate actions for misconduct if violations are found to be intentional.

Management's Response: IRS management agreed with this recommendation and plans to review the prohibited levy actions identified in this report and take appropriate actions if violations are found to be intentional. IRS management also plans to issue a reminder to Field Collection managers to take appropriate action on prohibited levies found to be intentional during case reviews.

Revenue Officers Generally Complied With Legal Requirements When Issuing Manual Levies

According to the IRS, revenue officers issued 611 manual levies from July 1, 2023, through June 30, 2024. However, because details of these levies are not tracked by the IRS, such as which taxpayers these levies were issued on, we were unable to identify this

¹³ The 42 taxpayers with prohibited levies resulting in payments totaling \$934,536 are based on 4 taxpayers (\$37,989) whose CDP levy hearings were pending, 4 taxpayers (\$442,555) who were not notified of their CDP rights, 13 taxpayers (\$178,044) who were not timely notified of their CDP rights, and 21 taxpayers (\$275,948) who were not notified of their CDP rights after an additional tax assessment was made.

population. Therefore, through research of ICS history files, we identified and reviewed 30 ICS manual levies issued from July 1, 2023, through June 30, 2024.

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

We have previously reported our concerns with manual levies. In FY 2020, the IRS took corrective action by updating the relevant IRM with specific information on preparing a manual levy. Management also issued a memorandum in February 2021 to revenue officers that included specific information on preparing manual levies. In FY 2023, the IRS stated that it would 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. The tool was approved to be developed by the Robotics Program Automation team in September 2024 and is currently in the requirements gathering stage. Finally, IRS Collection Policy agreed to develop a manual levy workshop which was developed and presented to all Field Collection groups as of October 2024. Therefore, we will not be making any additional recommendations in this year’s review.

According to the IRS, manual levies are necessary to address full compliance for taxpayer accounts. For instance, manual levies are necessary when the revenue officer fails to input a delivery method into the ICS for Letter 1058. While 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, when issuing manual levies, the ICS does not perform checks to determine if the Notice of Intent to Levy or Notice of Third-Party Contact (Letter 3164-A) have been issued. As we previously reported, there are no controls or safeguards in place to determine whether the revenue officer followed internal procedures prior to issuing the manual levy. With improved internal controls requiring managerial approval, we believe this would reduce the risk of a manual levy being issued erroneously and minimize the potential harm to taxpayers. However, the IRS disagreed with our FY 2023 report recommendation of requiring managerial approval when issuing manual levies.¹⁴

Some Taxpayers Were Burdened When Their Authorized Representatives Did Not Receive Collection Due Process Notices

Our analysis of the 46,182 taxpayers with Field Collection levies identified 5,895 taxpayers with a valid Power of Attorney on file authorizing the IRS to send a copy of the CDP levy hearing notice. We selected a random sample of 100 taxpayer cases and determined that 8 taxpayers were burdened because the IRS did not send a copy of the CDP levy hearing notice to the Power

¹⁴ TIGTA, Report No. 2023-30-066, [Fiscal Year 2023 Statutory Review of Compliance With Legal Guidelines When Issuing Levies](#) p. 15 Recommendation 7 (September 2023).

of Attorney as required. Based on the population of 5,895, we estimate that 472 taxpayers were potentially burdened.¹⁵ We also determined that the IRS did not notify the taxpayer that their authorized representative did not receive the CDP levy hearing notice copy.

Treasury Regulations and IRS policies require that any notices which are required or permitted to be given to a taxpayer in any matter before the IRS must be given to the taxpayer and, unless restricted by the taxpayer, to the taxpayer's representative.¹⁶

IRS management stated that the errors we identified occurred for several reasons. Specifically, for the eight taxpayers that were burdened:

- Four taxpayers – no notice was sent to the Power of Attorney on record because of timing issues. Of the four taxpayers, there were:

- [REDACTED]

- [REDACTED]

- Four taxpayers – revenue officer errors resulted in no notice being sent to Power of Attorney on record. Of the four taxpayers, there were:

- [REDACTED]

- [REDACTED]

- [REDACTED]

Taxpayers may experience adverse consequences if their authorized representatives do not receive copies of CDP levy notices, such as:

- Direct and indirect economic consequences from IRS levies that may not have occurred otherwise if the authorized representative received the notice and requested the CDP hearing.
- Loss of appeal rights to the U.S. Tax Court.

According to the National Taxpayer Advocate:

A representative cannot advocate for a taxpayer as requested or provide representation in the taxpayer's absence as intended by Congress, unless the representative receives IRS

¹⁵ When projecting the results of our statistical sample, we are 95 percent confident that the actual total number of violations is between 207 and 893. See Appendix II for more details on how the projection was calculated.

¹⁶ Treas. Reg. § 601.506.

notices. Especially in the context of CDP hearings, where the taxpayer has only 30 days to request the hearing and protect the right to challenge collection actions in the U.S. Tax Court, failure to provide the taxpayer's representative with a copy of the hearing notice can severely impede the taxpayer's access to fundamental statutory protections.¹⁷

The Fair Tax Collection Practices provisions, established in the IRS Restructuring and Reform Act of 1998, prohibit the IRS from communicating with a taxpayer in connection with the collection of any unpaid tax, if it knows that the taxpayer is represented by a valid power of attorney, without the prior consent of the taxpayer, or unless other conditions are met.¹⁸

Recommendation 4: The Director, Field Collection, SB/SE Division, should notify the taxpayers identified in this report that their representatives were not sent a copy of CDP levy notices or other correspondence.

Management's Response: IRS management agreed with this recommendation and plans to notify the taxpayer identified in this report that their representatives were not sent a copy of the CDP levy notices or other correspondence, if appropriate.

¹⁷ National Taxpayer Advocate, 2012 Annual Report to Congress, p. 292 (2012).

¹⁸ Pub. L. No. 105-206, 112 Stat. 685; I.R.C. § 6304(a)(2).

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 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 ICS systemic levies issued by revenue officers were adequate to comply with legal and procedural guidelines for notification to taxpayers prior to levy issuance.
- 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.
- Reviewed 30 manual ICS levies issued by revenue officers outside of the ICS during the period July 1, 2023, through June 30, 2024.
- Determined whether controls for levies issued for taxpayers with authorized representatives were adequate to comply with procedural guidelines for notification to authorized representatives prior to levy issuance.
- Identified potential error cases in which taxpayers may have been burdened because the IRS did not issue a CDP levy notice copy to their representative who was authorized to receive it and did not notify the taxpayer that the representative did not receive the notice. From the population of 5,895 taxpayers with an open Power of Attorney authorization to whom the IRS sent a CDP levy notice to the taxpayer, we reviewed a random sample of 100 total taxpayer cases. We used a random sample to ensure that each account had an equal chance of being selected, which enabled us to obtain sufficient evidence to support our results. We used a 5 percent error rate, ± 5.82 percent precision, and a two-sided 95 percent confidence interval to estimate the number of violations in the population. Our TIGTA statistician assisted with developing the projections. See Appendix II for details.

Performance of This Review

This review was performed with information obtained from the SB/SE Division National Headquarters Collection function located in Lanham, Maryland, during the period of August 2024 through April 2025. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Data Validation Methodology

We performed tests to assess the reliability of data obtained from the ICS, Individual Master File, and Business Master File systems. We evaluated the data by (1) performing electronic testing of required data elements and (2) reviewing existing information about the data and the system that produced them. We determined that the data was sufficiently reliable for the 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: SB/SE Division Collection function's automated controls to prevent the issuance of levies prior to 30 calendar days before initiating any levy action, to prevent levy enforcement actions being taken on taxpayers that request CDP levy hearings, to prevent CDP levy notices being issued to representatives who are not authorized, and to ensure that CDP levy notices are issued to representatives who are authorized. 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; 354 taxpayers whose CDP rights were violated when ICS systemic levies were issued by Field Collection (see Recommendations 1 through 3).

Methodology Used to Measure the Reported Benefit:

From a population of 46,182 taxpayers with ICS systemic levies issued during the period July 1, 2023 through June 30, 2024, we identified:

- 96 taxpayers were erroneously issued a levy while a CDP levy hearing was pending.
- 43 taxpayers for which the IRS did not issue the CDP levy notice before issuing the levy.
- 106 taxpayers for which the IRS did not timely issue the CDP levy notice before issuing the levy.
- 112 taxpayers for which the IRS did not issue a new CDP levy notice after the additional tax assessment.¹

There were 357 violations (96+43+106+112) impacting the rights of 354 taxpayers. Three taxpayers had more than one type of violation.

Type and Value of Outcome Measure:

- Taxpayer Burden – Potential; 472 taxpayers for which the IRS did not issue a CDP levy notice copy to their authorized representative or notify the taxpayer that their authorized representative did not receive the CDP levy notice copy (see Recommendation 4).

Methodology Used to Measure the Reported Benefit:

From a population of taxpayers with levies issued by revenue officers through the ICS during the period July 1, 2023, through June 30, 2024, we identified 5,895 taxpayers with a valid Power of Attorney authorizing the IRS to send a CDP levy hearing notice to the taxpayer.

Using the TIGTA 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 100 of the 5,895 cases. We determined that there were eight violations in which a CDP levy notice copy was not issued to the authorized representative, and the taxpayer was not notified that the authorized representative did not receive the CDP levy notice copy. Based on an 8 percent error rate, a ± 5.82 percent precision, and a two-sided

¹ We identified 112 taxpayers that did not receive a new CDP levy notice after an additional assessment was made; however, 2 of these taxpayers also had violations related to not receiving a notice before levy issuance.

95 percent confidence interval, we estimate that 472 taxpayers were potentially burdened because the IRS did not issue a CDP levy notice copy to the authorized representative.²

² When projecting the results of our statistical sample, we are 95 percent confident that the actual total number of violations is between 207 and 893.

Form 668-W, Notice of Levy on Wages, Salary, and Other Income

Form 668-W (April 2018)		Department of the Treasury - Internal Revenue Service Notice of Levy on Wages, Salary, and Other Income		
Date		Telephone number of IRS office		
Reply to		Name and address of taxpayer		
To		Identifying number(s)		
Kind of Tax	Tax Period Ended	Unpaid Balance of Assessment	Statutory Additions	Total
Total Amount Due				

We figured the interest and late payment penalty to _____

This Isn't A Bill For Taxes You Owe. This Is A Notice Of Levy To Collect Money Owed By The Taxpayer Named Above.

The Internal Revenue Code provides that there is a lien for the amount shown above. 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: (1) this taxpayer's wages and salary that have been earned but not paid, as well as wages and salary earned in the future until this levy is released, and (2) this taxpayer's other income that you have now or for which you are obligated.

We levy this money to the extent it isn't exempt, as shown in the instructions. Don't offset money this person owes you without contacting us at the telephone number shown above for instructions.

If you don't owe money to this taxpayer, please call us at the telephone number at the top of this form. Instead of calling us you may complete the back of Part 3, attach it as a cover to the rest of this form, and return all parts to IRS in the enclosed envelope.

If you do owe money to this taxpayer, please see the back of this page for instructions on how to act on this notice.

Signature of Service Representative	Title
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Catalog Number 20490M

www.irs.gov

Form **668-W** (Rev. 4-2018)

Part 1 — For Employer or Other Addressee

Source: IRS Forms and Publications.

Appendix IV

Management's Response to the Draft Report



COMMISSIONER
SMALL BUSINESS/SELF-EMPLOYED DIVISION

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

August 15, 2025

MEMORANDUM FOR DIANA M. TENGESDAL
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Lia Colbert **Amalia C. Colbert** Digitally signed by Amalia C. Colbert
Commissioner, Small Business/Self-Employed Division Date: 2025.08.15 10:37:56 -04'00'

SUBJECT: Draft Audit Report – Fiscal Year 2025 Statutory Review of
Compliance With Legal Guidelines When Issuing Levies (Audit
No.: 2025300003)

Thank you for the opportunity to review and comment on the subject draft audit report, which evaluates whether we complied with the statutory requirements 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 remain fully committed to helping taxpayers meet their tax responsibilities while upholding and protecting their rights, including their statutory right to a CDP hearing. We appreciate your recognition that during the period of July 1, 2023, through June 30, 2024, revenue officers (RO) properly issued more than 99 percent of levies – an outcome that reflects our strong commitment to due process and procedural integrity.

Safeguarding taxpayer rights remains central to our mission. We value your insights and recommendations as we continue working to uphold the integrity of the tax system and improve service to the public. In line with your recommendations, we will update our internal procedures to strengthen and provide additional clarity for employees and take the necessary actions per the findings identified in this report. Additionally, we will review the report's findings to identify opportunities to improve our processes and procedures. We are dedicated to fairly and effectively collecting taxes owed, while ensuring that levy actions are carried out in full compliance with the law and with due regard for taxpayer protections.

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

The Director, Collection Policy, SB/SE Division, should:

RECOMMENDATION 1:

Revise the IRM to require revenue officers to verify that the CDP hearing notice has been issued prior to taking levy action.

CORRECTIVE ACTION:

We agree. We will revise the IRM 5.11.1.3.2 to add a note stating, "It is the RO's responsibility to ensure that all required notices have been issued prior to taking levy action."

IMPLEMENTATION DATE:

August 15, 2026

RESPONSIBLE OFFICIAL:

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

CORRECTIVE ACTION MONITORING PLAN:

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

RECOMMENDATION 2:

Refund the proceeds from the prohibited levies to the 42 taxpayers that we identified during this review.

CORRECTIVE ACTION:

We agree, in part. We will refund the proceeds from the prohibited levies to the 42 taxpayers identified during this review, unless taxpayer consent is secured to retain the funds.

IMPLEMENTATION DATE:

November 15, 2026

RESPONSIBLE OFFICIAL:

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

CORRECTIVE ACTION MONITORING PLAN:

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

RECOMMENDATION 3:

The Director, Field Collection, SB/SE Division should ensure employees, and their managers review prohibited levy actions identified in this report, and in employee performance reviews, and take appropriate actions for misconduct if violations are found to be intentional.

CORRECTIVE ACTION:

We agree. We will review the prohibited levy actions identified in this report and take appropriate actions if violations are found to be intentional. We will issue a reminder to Field Collection managers to take appropriate action on prohibited levies found to be intentional during case reviews.

IMPLEMENTATION DATE:

August 15, 2026

RESPONSIBLE OFFICIAL:

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

CORRECTIVE ACTION MONITORING PLAN:

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

RECOMMENDATION 4:

The Director, Field Collection, SB/SE Division, should notify the taxpayers identified in this report that their representatives were not sent a copy of the CDP levy notices or other correspondence.

CORRECTIVE ACTION:

We agree. We will notify the taxpayers identified in this report that their representatives were not sent a copy of the CDP levy notices or other correspondence, if appropriate.

IMPLEMENTATION DATE:

June 15, 2026

RESPONSIBLE OFFICIAL:

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

CORRECTIVE ACTION MONITORING PLAN:

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

Glossary of Terms

Term	Definition
Automated Collection System	A legacy system that provides a computerized telephone tax collection system designed to assist Collection employees with automatic contact and follow-up on delinquent taxpayers.
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.
Collection Due Process	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 who 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.
Field Collection	The unit in the Area Offices consisting of revenue officers who handle face-to-face contacts with taxpayers to collect delinquent accounts or secure unfiled returns.
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	An information management system designed to improve revenue collection by providing revenue officers with access to the most current taxpayer information while in the field.
Integrated Data Retrieval System	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. These laws constitute Title 26 of the United States Code, which is a consolidation and codification by subject matter of the general and permanent laws of the United States.

Term	Definition
Internal Revenue Manual	Primary source of instructions to employees relating to the administration and operation of the IRS. The Manual contains the directions employees need to carry out their operational responsibilities.
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 manual ICS levy is 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.
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.
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	Refers to 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 is used as the basis for calculating the annual taxes due. For most individual taxpayers, the tax year is synonymous with the calendar year.

Appendix VI

Abbreviations

ACS	Automated Collection System
ALP	Automated Levy Program
CDP	Collection Due Process
FY	Fiscal Year
ICS	Integrated Collection System
I.R.C.	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
SB/SE	Small Business/Self-Employed
TIGTA	Treasury Inspector General for Tax Administration



**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.