

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Fiscal Year 2025 Mandatory Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property

September 17, 2025

Report Number: 2025-300-043

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 Mandatory Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property

Final Audit Report issued on September 17, 2025

Audit Number 2025-300-043

Why TIGTA Did This Audit

Internal Revenue Code (I.R.C.) § 7803(d)(1)(A)(iv) requires us to annually evaluate the IRS's compliance with legal seizure provisions. This audit determined whether seizures were conducted in accordance with legal guidelines and IRS procedures.

Impact on Tax Administration

Taking a taxpayer's property for unpaid tax is commonly referred to as a seizure. In recent years, the IRS conducted fewer than 100 seizures per year. The IRS generally resolves debts by less intrusive means. The seizure of personal property is rare, time consuming and legally complex. To ensure that taxpayers' rights are protected, the IRS Restructuring and Reform Act of 1998 amended the seizure provisions in I.R.C. §§ 6330 through 6344. These provisions govern many aspects of the seizure process, from notification of the taxpayer through sale or redemption of the property.

The IRS Restructuring and Reform Act of 1998 amended the seizure provisions of several I.R.C. sections.



This includes the inability to seize a **taxpayer's principal residence** without a court order.

What TIGTA Found

We reviewed 61 taxpayer cases involving 105 seizures conducted by the IRS and found that Field Collection employees generally adhered to applicable laws, regulations, and procedures. However, the IRS conducted seizures without following proper procedures in some cases, potentially violating taxpayer rights or causing unnecessary taxpayer burden:

- The IRS misapplied proceeds and/or expenses to eight taxpayer accounts. The IRS is in the process of correcting the misapplications. Five seizures have yet to be corrected.
- The IRS seized property of five taxpayers but released the property prior to sale due to legal and procedural errors, resulting in unnecessary burden on taxpayers.
- The IRS seized property from four taxpayers even though the revenue officers did not perform adequate investigations prior to the seizure. This included not considering if there would be sufficient equity in the property. Although the seizures were later released, taxpayers can still experience unnecessary burden, such as loss of use of the property.

We also found that the Fiscal Year (FY) 2023 seizure log contained incomplete information which resulted in the incorrect reporting of the total number of seizures in the IRS's FY 2023 Data Book. In addition, the fair market value of these seizures, totaling over \$1.1 million, was not reported in the IRS's FY 2023 financial statements as required by the IRS Chief Financial Officer.

We also determined 21 seizures recorded on the seizure log were misclassified when we compared it to supporting documentation. Further, the seizure property classification codes are not uniform between supporting documentation and the seizure log.

What TIGTA Recommended

We recommended that the IRS should: 1) emphasize in a memorandum to revenue officers the importance of pre-seizure actions, such as those identified during our review; and 2) establish seizure log reconciliation procedures and a uniform set of defined seized property classifications for supporting documentation and the seizure log. IRS management agreed with our first recommendation and partially agreed with our second recommendation, agreeing to establish a uniform set of defined property classifications.



**TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION**

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

September 17, 2025

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

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

SUBJECT: Final Audit Report – Fiscal Year 2025 Mandatory Review of Compliance
With Legal Guidelines When Conducting Seizures of Taxpayers' Property
(Audit No.: 2025300002)

This report presents the results of our review of whether seizures were conducted in accordance with legal guidelines and Internal Revenue Service procedures. 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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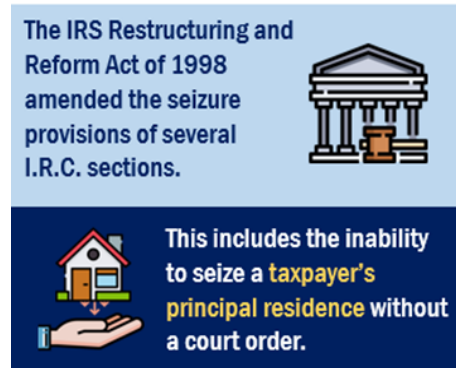
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Background

Collection notices generally start the process of collecting unpaid tax by the Internal Revenue Service (IRS). The case is usually assigned either to the IRS's Automated Collection System, Field Collection, or the Collection Queue.¹ The IRS considers the taxpayer's ability to pay and discusses alternative payment options such as an installment agreement or offer in compromise. If the taxpayer is able to pay but has not paid some or all of the tax and has had the opportunity to exercise available appeal rights, the IRS then has the authority to levy the taxpayer's funds or seize property for the payment of tax.² Taking a taxpayer's property for unpaid tax is commonly referred to as a seizure. The IRS's Property Appraisal and Liquidation Specialists sell seized property by public auction or public sale under sealed bids. The IRS applies the net proceeds to the taxpayer's liability.

To protect taxpayer rights, the IRS Restructuring and Reform Act of 1998 amended the seizure provisions in the Internal Revenue Code (I.R.C.).³ These provisions and the IRS's internal procedures govern many aspects of the seizure process, from notification of the taxpayer through the sale or redemption of the property. For example, a taxpayer's principal residence cannot be seized without a court order, and the IRS cannot levy or seize a taxpayer's property if the levy causes economic hardship.⁴ Additionally, seizures are not permitted if estimated sale expenses exceed the property's fair market value (FMV) when the seizure occurs, and the IRS must fully investigate the status of the property before seizure.⁵



We are required under I.R.C. § 7803(d)(1)(A)(iv) to annually evaluate the IRS's compliance with the legal seizure provisions in I.R.C. §§ 6330 through 6344. Figure 1 shows that the number of seizures conducted by the IRS generally declined for Fiscal Years (FY) 2016 through 2024.⁶ The steady decline in seizures since FY 2016 generally coincides with a steady decline in revenue officers over the same period.

¹ See Appendix V for a glossary of terms.

² Taxpayers have a statutory right to a Collection Due Process hearing on the first issuance of a Notice of Intent to Levy on a delinquent account, pursuant to Internal Revenue Code § 6330, as well as upon the first issuance of a Notice of Federal Tax Lien, pursuant to Internal Revenue Code § 6320. Taxpayers additionally have certain administrative rights, such as an appeal through the IRS's Collection Appeal Program.

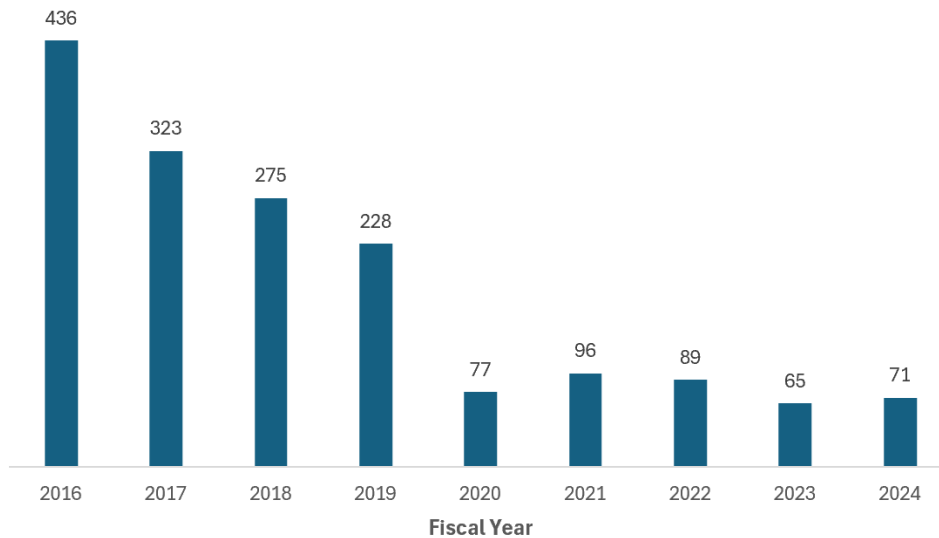
³ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2, 5, 16, 19, 22, 23, 26, 31, 38, and 49 U.S.C.).

⁴ I.R.C. § 6334(e)(1)(A) and I.R.C. § 6343(a)(1)(D).

⁵ I.R.C. § 6331(f) relates to uneconomical levies and § 6331(j) requires investigation of the property.

⁶ The FY 2023 IRS Data Book incorrectly reported the IRS conducted 65 seizures for FY 2023. The IRS conducted 68 seizures. Three seizures were inadvertently missed during reporting.

Figure 1: Seizures Generally Declined Over the Last Nine Fiscal Years



Source: FY 2023 IRS Data Book and data from the IRS.

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 guidance.⁷ Overall, the Small Business/Self-Employed (SB/SE) Division lost 611 revenue officers as of March 28, 2025.⁸ We do not yet know how the reduction in staffing will impact the IRS's ability to conduct seizures.

General seizure procedures

To start the seizure process, the IRS must issue Letter 1058, *Notice of Intent to Levy and Notice of Your Right to a Collection Due Process Hearing*. This letter informs the taxpayer of the levy, Collection Due Process (CDP) rights, and the expiration of these rights. The law requires that the taxpayer is notified of the levy and CDP hearing rights at least 30 days prior to taking levy action. The CDP hearing is with the IRS's Independent Office of Appeals (Appeals).

Taxpayers have 30 calendar days to request a CDP hearing in writing. If a CDP hearing is requested, the collection statute expiration date and levy action (with some exceptions) on the assessments subject to the CDP hearing are suspended. During the CDP hearing, the taxpayer may raise relevant issues such as spousal defenses, appropriateness of the levy, and alternative collection offers. Levy actions remain suspended during the appeal process, as well as any judicial review of the Appeals' determination, with some exceptions. The taxpayer's property may be seized if:

- No payment arrangement is made.

⁷ 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).

⁸ TIGTA, Report No. 2025-IE-R017, [Snapshot Report: IRS Workforce Reductions as of March 2025](#), p. 5 (May 2025) Figure 5.

Fiscal Year 2025 Mandatory Review of Compliance With Legal Guidelines When Conducting Seizures of Taxpayers' Property

- Overdue taxes are not paid.
- No hearing is requested 30 calendar days after the intent to levy notice date.

As a pre-seizure consideration, the law requires the IRS to determine the allowable expenses in all cases of seizure and sale. When seizure is the next appropriate enforcement action of a case, revenue officers prepare the seizure approval package. The approval package must contain the following information:

- Form 13719, *Pre-Seizure Checklist and Approval Request*.
- Form 668-B, *Levy*.
- Copies of the Notices of Federal Tax Lien.
- Form 2434-B, *Notice of Encumbrances Against or Interests in Property Offered for Sale* (not applicable if only cash is to be seized).
- Form 2433, *Notice of Seizure*, and deed(s) (for real property seizures).

While all collection seizures require group manager approval, certain seizures may also require other approvals, such as judicial approval for the seizure of a principal residence.⁹ The group manager reviews the case file for accuracy. Once approved by the group manager, Advisory reviews Form 13719 for legal sufficiency and accuracy. If a higher level of approval is required, Advisory provides the file to the next level of approval. Once the seizure is conducted, the revenue officer must provide all seizure documents to Advisory within five workdays for a post-seizure review.

The law and regulations require that proceeds (sale or redemption) be applied in the following order:¹⁰

1. Expenses of the seizure and sale.
2. Unpaid federal taxes due on the specific property sold.
3. The liability for which the seizure was made, or the sale was conducted (liability shown on Form 668-B).
4. Intervening liens in the order of their priority when there are several outstanding liens.
5. To the taxpayer, unless another person establishes a superior claim to any surplus proceeds.

Results of Review

Most Seizures Involved Real Property

The seizure of personal property is rare, time consuming and legally complex. The IRS conducted ■■ seizures involving ■■ taxpayers from July 1, 2023 through June 30, 2024. There

⁹ I.R.C. § 6334(e)(1).

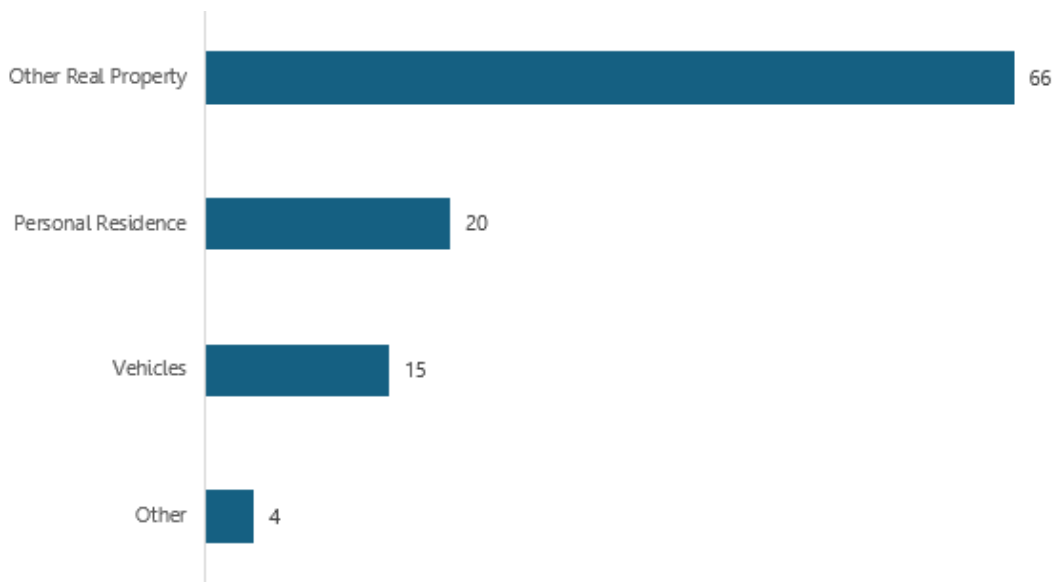
¹⁰ I.R.C. § 6342(a)-(b).

**Fiscal Year 2025 Mandatory Review of Compliance With
Legal Guidelines When Conducting Seizures of Taxpayers' Property**

were [REDACTED] seizures involving [REDACTED] taxpayers that [REDACTED] but not included in our prior year mandatory review of seizures. Therefore, we included them in this year's review for a total of 105 seizures involving 61 taxpayers.

The 105 seizures included 66 other real properties, 20 personal residences, and 15 vehicles. There were no principal residence seizures. The total balance due from the 61 taxpayers at the time of the IRS's seizure activity ranged from approximately \$19,000 to over \$15 million. The average balance due was over \$1 million. Figure 2 shows the property type of the 105 seizures we reviewed.

Figure 2: Real Estate Was Mostly Seized in FY 2024



Source: Analysis of the IRS's seizure log.

The SB/SE Division has six Collection Area Offices: Central, Gulf States, North Atlantic, Northwest, South Atlantic, and Southwest. Figure 3 shows the breakdown of the 105 seizures by Collection Area Office.¹¹

**Figure 3: Breakdown of 105 Seizures by
IRS Field Collection Area**

Field Collection Area	Seizures
Central	7
Gulf States	23
North Atlantic	15
Northwest	21
South Atlantic	19
Southwest	20
Nation	105

Source: Analysis of the IRS's seizure log.

¹¹ See Appendix III for a breakdown by Collection Area Office of the number of seizures conducted during the current and three prior audit periods.

Seizure Procedures Were Not Always Followed and Errors Were Sometimes Missed During the Advisory Review Process

We determined that Field Collection employees generally adhered to the Internal Revenue Manual (IRM) procedures that help ensure compliance with I.R.C. §§ 6330 through 6344. However, we reviewed the 105 seizures (61 taxpayers) and found various legal and procedural errors, including that the IRS did not always properly apply the proceeds and expenses from seizures to the taxpayer's account, revenue officers did not always follow procedures when completing Form 2433, or performed inadequate pre-seizure investigations as required by law. These errors may have caused unnecessary burden to taxpayers, such as the loss of use of the property which was seized and then returned because of the lack of equity in the property to reduce the tax debt.

Seizure proceeds and expenses were not always applied correctly

Revenue Accounting Control System (RACS) unit personnel did not correctly credit the tax accounts for 8 taxpayers (involving 11 seizures) after the sale of the taxpayer's seized property. We found:

- Sale proceeds applied to the taxpayers' accounts for six seizures did not match the proceeds amounts on Form 2436, *Seized Property Sale Report*/Form 2436-R, *Seized Property Released/Redemption Report*, resulting in inaccurate information on taxpayers' accounts.
- Sale proceeds and/or expenses for three seizures were not entered timely into the taxpayers' accounts.

- [REDACTED]

[REDACTED]

The IRM provides instructions on applying payment and expense information to taxpayer accounts after a sale of seized property. The IRM also states that Advisory will review Form 2436, within 10 days of receipt. If correct, the form will be immediately transmitted via secure email or faxed to the RACS unit for application of the proceeds. Advisory is responsible for following up on the application of the proceeds from Form 2436 and should contact the RACS unit to resolve any misapplied funds. Advisory will not close the seizure until all RACS issues have been resolved.

The Taxpayer Bill of Rights states that taxpayers have the right to pay no more than the correct amount of tax owed, and to have the IRS apply all tax payments properly.¹² Our review of the respective taxpayer accounts on the IRS Master File determined that the IRS resolved 6 of the

¹² I.R.C. § 7803(a)(3)(C).

11 seizures with misapplied payments. The IRS has not corrected the misapplied payments and/or expense for the remaining five seizures.

Some revenue officers did not follow procedures which resulted in the release of the seized property

Revenue officers are required to follow precise laws and procedures regarding the status of the property prior to seizure, including correct identification of the property and the owners. Revenue officer errors involving five taxpayers (for seven seizures) resulted in the release of seized property, as follows:

- Five seizures in which the revenue officer made errors when completing Form 2433. The law requires the IRS to correctly inform the taxpayer of the property to be seized, and the IRS uses Form 2433 for this purpose.¹³ These errors were not identified during the pre-seizure Advisory review process. Misidentifying the property to be seized can confuse the taxpayer as to which property is at risk of seizure and impact the taxpayer's actions with respect to the proposed seizure.

- [REDACTED]

- [REDACTED]

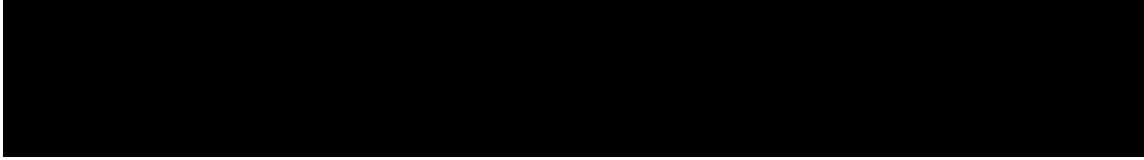
In some cases, pre-seizure investigation lacked thoroughness or sufficient equity was not considered

As part of the investigation, revenue officers are also required to research the economic viability of the seizure and sale and ensure that there is sufficient equity in the property. Revenue officers did not always perform adequate investigations on the property prior to the seizure or determine there was sufficient equity for four taxpayers (involving four seizures). If the required pre-seizure investigation had been more thorough, some of these seizures may not have been conducted. For example,

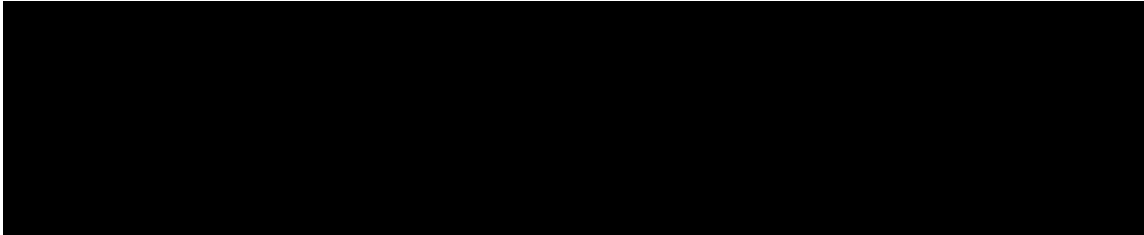
- [REDACTED]

¹³ I.R.C. § 6335(a).

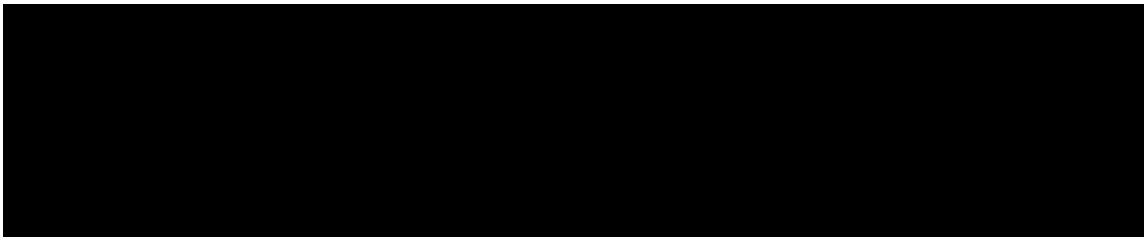
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The law requires that no seizure is made on property until a thorough investigation of the property's status has been completed. The IRM requires proper management approval and Advisory review to ensure that seizures are properly executed, taxpayer rights are protected, and taxpayers are not burdened. It is the IRS's duty to adhere to the laws and the procedures set forth in the IRM to protect taxpayers' rights and prevent erroneous taxes or levies. When Advisory does not ensure that all statutory requirements related to the seizure action have been satisfied, there is a risk that any errors of legal sufficiency and procedural accuracy will not be identified.

Recommendation 1: The Director, Field Collection, SB/SE Division, should issue a memorandum to revenue officers emphasizing the importance of pre-seizure actions, such as those identified during our review.

Management's Response: IRS management agreed with this recommendation and will issue a memorandum to revenue officers emphasizing the importance of pre-seizure actions, such as those identified during our review.

Seizure Logs Were Incomplete and Inaccurate

Our review determined that the seizure logs maintained during FY 2023 and FY 2024 were incomplete and contained misclassifications of seized property. This led to incorrect information:

- Reported in IRS publications.
- Presented on IRS financial statements.
- Provided to our audit teams.

The FY 2023 seizure log was incomplete

We determined that the FY 2023 seizure log was incomplete and missing three seizures that occurred during FY 2023. Advisory is responsible for maintaining the seizure log and provides

information about seizures to the IRS's Research, Applied Analytics & Statistics function for inclusion in the annual Data Book.¹⁴ In addition, Advisory provides the year-end balance of seizures for FY 2023 to the Chief Financial Officer, as required by IRM procedures. However, Advisory did not review the seizure log to ensure its completeness.

As previously noted, the FY 2023 IRS Data Book incorrectly reported that the IRS conducted 65 seizures rather than 68 seizures. In addition, the total FMV of the three missing seizures, totaling over \$1.1 million, was not reported in the FY 2023 IRS financial statements.

The three missing seizures were subsequently added to the FY 2023 seizure log after the submissions for the FY 2023 Data Book and FY 2023 financial statements. We reviewed the FY 2024 Data Book and noted that it reported the correct number of seizures for FY 2023 and acknowledged the error in a footnote. However, the FY 2024 financial statements made no reference to the omission from the FY 2023 financial statements.

The seizure logs provided for our reviews were also not complete

During this audit, we determined that the seizure log provided by the IRS during last year's review did not include [REDACTED]

[REDACTED] The IRS did not discover that the seizure log was incomplete because there is no process requiring a reconciliation of the seizure log. As a result, our prior year's review did not report the correct number of seizures that were completed from July 1, 2022 through June 30, 2023. [REDACTED].

In addition, the seizure log for this year's audit did not include all seizures conducted from July 1, 2023 through June 30, 2024. We received two seizure logs from the IRS (dated July 24, 2024 and September 18, 2024). We compared the two seizure logs and identified a total of four missing seizures.¹⁵ This includes the three seizures missing from the FY 2023 Data Book and financial statements.

According to the IRM, the seizure log provides consistency in the seizure control information. In addition, the log tracks all activity relating to a seizure until it is closed. Thus, it should be accurate and updated timely as actions occur on seizures.

Management Actions: To help reduce human error and timely identify mistakes, Advisory upgraded the seizure log process to include an electronic approval system beginning in FY 2025. This system allows retrieval, tracking, management, and reporting of the seizure log. Changes to the seizure log can only be made by the Advisor who input the seizure (or an administrator). IRS management also advised that they have started monthly quality and accuracy checks of the seizure log. In addition, the IRS implemented personnel changes and provided additional training to ensure that these errors are eliminated.

¹⁴ Each fiscal year, the IRS publishes a Data Book providing statistical tables and organizational information on collecting revenue, enforcing the law, *etc.*, for use by taxpayers.

¹⁵ The [REDACTED] seizures include the 4 seizures the IRS inadvertently missed when reporting the initial seizure log to the audit team.

Property was misclassified on the seizure log and Form 13719

We also determined that revenue officers misclassified 21 seizures recorded on the seizure log when compared to the respective Form 13719. Specifically, we found that:

- 12 personal residence seizures were misclassified as other real property.
- 5 seizures were misclassified as personal residences.
- 4 other real property seizures were misclassified as either personal residence, other personal property, or office equipment and furniture.

When completing Form 13719 prior to a seizure, the revenue officer must classify the property to be seized. However, Form 13719 does not provide definitions for each property type listed, which would help revenue officers accurately classify the property to be seized. In addition, there are variations in the three real estate property types between Form 13719 and the seizure log (Figure 4).

**Figure 4: Variations of Real Estate Property Classifications on
Form 13719 and the Seizure Log**

Form 13719	Seizure Log
Principal Residence	Principal Residence
Other Residence	Personal Residence
Real Property	Other Real Property

Source: Analysis of Form 13719 and the seizure log.

We observed the IRS using these real estate classifications interchangeably. We also found that the lack of definitions and the variation between Form 13719 and the seizure log led to 11 seizures that revenue officers classified incorrectly as real property on Form 13719. For example, the case files for most of these cases noted that the property being seized was being used as rental property. IRS procedures require rental property to be classified as a personal residence. Accordingly, we determined that these 11 seizures should have been classified as:

- Other residence on Form 13719.
- Personal residence on the seizure log.

Further, Form 13719 has 14 classifications while the seizure log only has 12 classifications. The IRS advised us that the variation in property types between Form 13719 and the seizure log is likely due to various revisions of Form 13719 over the years. The differences in classifications and lack of definitions for each classification has led to the misclassification of property and errors on both the Form 13719 and the seizure logs. The misclassifications impact the reliability of the seizure log which inaccurately reported the asset type for 21 seizures. This seizure log is used by management and TIGTA and its accuracy is critical.

Recommendation 2: The Director, Collection Policy, SB/SE Division, should establish seizure log reconciliation procedures and a uniform set of defined seized property classifications for Form 13719 and the seizure log.

Management's Response: IRS management partially agreed to this recommendation and will establish a uniform set of defined seized property classifications for Form 13719 and the seizure log.

Office of Audit Comment: The IRS's partial agreement will satisfy the intent of our recommendation. IRS management noted in their response that they have established procedures for an annual reconciliation report to the Chief Financial Officer on the status of all open seizures and for monthly quality and accuracy checks of the seizure log.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to determine whether seizures were conducted in accordance with legal guidelines and IRS procedures. To accomplish our objective, we:

- Reviewed current IRS procedures and guidelines used by SB/SE Division employees during the audit period for achieving compliance with I.R.C. §§ 6330 through 6344.
- Evaluated the IRS's compliance with the seizure procedures of I.R.C. §§ 6330 through 6344 and its internal procedures by reviewing all [REDACTED] seizures conducted July 1, 2023 through June 30, 2024 and [REDACTED]

Performance of This Review

This review was performed with information obtained from the offices of the SB/SE Division Headquarters, located in Lanham, Maryland during the period September 2024 through June 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Data Validation Methodology

We performed tests to assess the reliability of data from the spreadsheet-maintained seizure log. We evaluated the data by (1) reviewing existing information about the data, (2) interviewing agency officials knowledgeable about the data, (3) performing completeness testing against the IRS Data Book, (4) tracing a subset of data to the source record, and (5) reconciling the log to actual case files provided by the IRS. We determined that the data were sufficiently reliable for purposes of this report.

Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: SB/SE Division Collection function's policies, procedures, and practices for conducting seizures of taxpayers' property under the provisions of I.R.C. §§ 6330 through 6344. We evaluated these controls by reviewing appropriate internal procedures and guidelines and completed a review of seizure case files.

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 Burden – Potential; eight taxpayers for whom the IRS did not comply with an IRM section (see Recommendation 1).

Methodology Used to Measure the Reported Benefit:

We reviewed all [REDACTED] seizures that the IRS conducted from July 1, 2023, through June 30, 2024, and [REDACTED]. We identified eight taxpayer cases (involving 10 seizures) in which the IRS did not comply with a particular IRM section causing property to be seized and later released. The eight taxpayers are included in the following 10 released seizures: five seizures had errors on the Form 2433, [REDACTED] and three did not have pre-seizure research thoroughly performed.

Type and Value of Outcome Measure:

- Reliability of Information – Potential; three seizures totaling over \$1.1 million were missing from the FY 2023 Data Book and IRS's FY 2023 financial statements (see Recommendation 2).

Methodology Used to Measure the Reported Benefit:

We reviewed the seizure log for July 1, 2023 through June 30, 2024, and compared it to the FY 2023 Data Book. We determined three seizures, totaling over \$1.1 million, were not reported in the FY 2023 Data Book. We also determined that these three seizures were not reported in the IRS's FY 2023 financial statements. This omission resulted in a lack of reliability of information.

Type and Value of Outcome Measure:

- Reliability of Information – Potential; the property types pertaining to 21 seizures were misclassified on the seizure log (see Recommendation 2).

Methodology Used to Measure the Reported Benefit:

We reviewed the seizure log for July 1, 2023 through June 30, 2024, and determined that the following 21 seizures were misclassified:

- 12 personal residence seizures were misclassified as other real property.
- 5 seizures were misclassified as personal residences.

**Fiscal Year 2025 Mandatory Review of Compliance With
Legal Guidelines When Conducting Seizures of Taxpayers' Property**

- 4 other real property seizures were misclassified as either personal residence, other personal property, or office equipment and furniture.

Appendix III

Field Collection Areas and Nationwide Counts of Seizures During the 2022 Through 2025 Audit Periods

Field Collection Area	Audit Period			
	2022	2023	2024	2025
Central	11	21	■	7
Gulf States	17	35	29	23
North Atlantic	9	4	10	15
Northwest	12	25	7	21
South Atlantic	27	18	13	19
Southwest	21	14	12	20
Nation	97	117	■	105

Source: Analysis of seizure logs.

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 29, 2025

MEMORANDUM FOR DIANA M. TENGESDAL

ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Lia Colbert

Elizabeth J. Kinzer

Digitally signed by Elizabeth J. Kinzer
Date: 2025.08.29 09:53:17 -05'00'

Commissioner, Small Business/Self-Employed Division

SUBJECT:

Draft Audit Report – Fiscal Year 2025 Mandatory Review of
Compliance With Legal Guidelines When Conducting Seizures of
Taxpayers' Property (Audit # 2025300002)

Thank you for the opportunity to review and comment on the subject draft audit report. We are committed to helping taxpayers meet their tax obligations while respecting and protecting their rights. We appreciate your recognition that we generally complied with legal and administrative requirements during the period reviewed.

We remain dedicated to conducting collection activities in accordance with the Internal Revenue Code (IRC) provisions and the Internal Revenue Manual (IRM) procedures. We have made meaningful progress in improving how seizures are reviewed, tracked, and documented. The errors identified in this report were also detected through our internal control processes and are being corrected.

In your report, you made two recommendations: one to reinforce existing guidance involving pre-seizure actions and a second to establish seizure log reconciliation procedures and a uniform set of seized property classifications and definitions. We agree with the first and only partially agree with the second as we have already taken proactive steps to improve the accuracy and consistency of seizure logs. The IRM already requires our Civil Enforcement Advice and Support Operations (CEASO) to maintain the seizure log consistently and accurately. The procedures we have in place include a 90-day open seizure report, notification of untimely Notices of Sale, and an

**Fiscal Year 2025 Mandatory Review of Compliance With
Legal Guidelines When Conducting Seizures of Taxpayers' Property**

2

annual reconciliation report to the Chief Financial Officer (CFO) on the status of all open seizures. Additionally, we've upgraded to an electronic seizure log process beginning in FY 2025 and have started monthly quality and accuracy checks of the seizure log.

Prior to the issuance of this report, we revised the property classifications on Form 13719 to align with the IRS seizure log. We also finalized revisions to the IRM, including the addition of standardized definitions for seized assets. We believe that these actions will support continued compliance, strengthen taxpayer protections, and promote consistent application of policy and procedures.

Your report also notes that, in some cases, pre-seizure investigation lacked thoroughness, or sufficient equity was not considered. While we acknowledge that in some instances the pre-seizure research could have been more thorough, we would like to mention that equity determinations were completed and documented in each case.

We would also like to clarify the treatment of suffixes in seizure tracking. Suffixes are an optional tool used to organize and track multiple assets within a single seizure action. Historically, and consistent with longstanding IRS practice, suffixes are not counted as additional seizures.

Looking ahead, we will continue to seek opportunities to improve our seizure processes while safeguarding the rights of all taxpayers. We appreciate your insights and recommendations as we work towards continued improvement, transparency, and consistency.

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

**Fiscal Year 2025 Mandatory Review of Compliance With
Legal Guidelines When Conducting Seizures of Taxpayers' Property**

Attachment

Recommendations:

RECOMMENDATION 1:

The Director, Field Collection, SB/SE Division, should issue a memorandum to revenue officers emphasizing the importance of pre-seizure actions, such as those identified during our review.

CORRECTIVE ACTION:

We agree. We will issue a memorandum to revenue officers emphasizing the importance of pre-seizure actions, such as those identified during the review.

IMPLEMENTATION DATE:

February 15, 2026

RESPONSIBLE OFFICIAL:

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

CORRECTIVE ACTION MONITORING PLAN:

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

RECOMMENDATION 2:

The Director, Collection Policy, SB/SE Division, should establish seizure log reconciliation procedures and a uniform set of defined seized property classifications for Form 13719 and the seizure log.

CORRECTIVE ACTION:

We partially agree. We will establish a uniform set of defined seized property classifications for Form 13719 and the seizure log.

IMPLEMENTATION DATE:

February 15, 2026.

RESPONSIBLE OFFICIAL:

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

CORRECTIVE ACTION MONITORING PLAN:

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

OUTCOME MEASURE:

Taxpayer Burden – Potential; eight taxpayers for whom the IRS did not comply with a IRM section (see Recommendation 1).

IRS RESPONSE:

We agree.

OUTCOME MEASURE:

Reliability of Information – Potential; 3 seizures totaling over \$1.1 million were missing from the FY 2023 Data Book and IRS's FY 2023 financial statements (see Recommendation 2).

IRS RESPONSE:

We agree.

OUTCOME MEASURE:

Reliability of Information – Potential; the property types pertaining to 21 seizures were misclassified on the seizure log (see Recommendation 2).

IRS RESPONSE:

We agree.

Glossary of Terms

Term	Definition
Advisory	Advisory gives technical guidance to revenue officers and other Collection function personnel about liens, levies, litigation, and more. It reviews proposed suits, seizures, summons enforcement, special condition Notices of Federal Tax Lien, and other technical items for the Collection function.
Alter Ego	A distinct entity, created to avoid the attachment of a federal tax lien. To create an alter ego, taxpayers will transfer their assets to legal entities under the control of themselves, friends, and/or relatives.
Area Office	A geographic organizational level used by IRS business units and offices to help their specific types of taxpayers understand and comply with tax laws and issues.
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.
Collection Due Process Hearing	A CDP hearing is an opportunity to discuss alternatives to enforce collection and permits the taxpayer to dispute the amount owed if the taxpayer has not had a prior opportunity to do so. These hearings are conducted by the Independent Office of Appeals.
Collection Queue	An automated holding file for unassigned inventory of delinquent cases for which revenue officers are unable to be immediately assigned for contact due to limited resources.
Designated Payment Code	A two-digit code applied to tax payments. It is used to facilitate the identification of a payment, indicate the application of a payment to a specific liability, and identify the event which resulted in a payment.
Fair Market Value	The price that property would sell for on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts.
Field Collection	The unit in the Area Offices consists 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.
Independent Office of Appeals	The role of Appeals is to make an independent review of a tax dispute and to consider the positions taken by both the taxpayer and the IRS. Appeals strives to resolve tax disputes in a fair way and remain impartial to both parties.

**Fiscal Year 2025 Mandatory Review of Compliance With
Legal Guidelines When Conducting Seizures of Taxpayers' Property**

Term	Definition
Installment Agreement	Arrangements by which the IRS allows taxpayers to pay liabilities over time.
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.
Internal Revenue Manual	The 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.
Levy	A method used by the IRS to collect outstanding taxes from sources, such as bank accounts and wages or a legal seizure of property to satisfy a tax debt.
Master File	The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.
Notice of Federal Tax Lien	A notice filed with the appropriate local government office, protecting the federal government's interest in the taxpayer's assets by providing public notice of the amount of unpaid tax.
Offer in Compromise	An agreement between a taxpayer and the government that settles a tax liability for payment of less than the full amount owed.
Other Real Property	Real property other than a taxpayer's principal or personal residence.
Personal Property	The contents of a principal/personal residence.
Principal Residence	The primary dwelling of the taxpayer, the taxpayer's spouse, former spouse, and/or the taxpayer's minor children.
Property Appraisal and Liquidation Specialist	An IRS employee who specializes in the appraisal, marketing, and sale of both real and personal property.
Real Property	Principal residence, personal residence, mobile home determined to be real property, real property used in a trade of business of an individual taxpayer.
Revenue Accounting Control System Unit	A unit within the IRS's Office of the Chief Financial Officer that enters data into the Redesigned Revenue Accounting Control System, the system that provides accounting control for all custodial accounting transactions.
Revenue Officer	An employee in the Collection function who provides customer service by explaining taxpayer rights and responsibilities, collecting delinquent accounts, securing delinquent returns, counseling taxpayers on their tax filing and payment obligations, conducting tax investigations, filing Notices of Federal Tax Lien, releasing federal tax liens, and performing seizures of delinquent taxpayer assets.
Seizure	The taking of a taxpayer's property to satisfy their outstanding tax liability.
Small Business/Self-Employed Division	The IRS organization that services self-employed taxpayers and small businesses by educating and informing them of their tax obligations, developing educational products and services, and helping them understand and comply with applicable tax laws.

Appendix VI

Abbreviations

CDP	Collection Due Process
FMV	Fair Market Value
FY	Fiscal Year
I.R.C.	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
RACS	Revenue Accounting Control System
SB/SE	Small Business/Self-Employed Division
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.