

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Tax Relief Improvements Underway for Taxpayers Wrongfully Detained or Taken Hostage

February 2, 2026

Report Number: 2026-IE-R002

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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Why TIGTA Did This Evaluation

We initiated this evaluation after reports that individuals held captive abroad were being assessed penalties and interest after returning to the United States. The penalties and interest were for not timely filing tax returns or paying debts owed to the federal government.

The IRS provides tax relief to taxpayers who are, or were, held captive. The tax relief includes deferring collection actions, such as levies or liens, and abating any penalties assessed during the time the taxpayer is held captive. Penalties continue to be abated for an additional six months after the taxpayer is released.

However, current law prevents the IRS from providing interest relief to affected individuals.

Impact on Tax Administration

Taxpayers returning to the United States after being wrongfully detained or held hostage abroad should not be burdened with improper penalties or letters demanding payment.

Conversely, providing tax relief to taxpayers who are incorrectly labeled as a hostage can negatively burden the taxpayer. The incorrect labeling can prevent a tax return from posting or restrict notification of debts owed.

What TIGTA Found

In January 2025, the IRS implemented new procedures to improve the process to provide tax relief to taxpayers wrongfully detained or taken hostage. In January and April 2025, the U.S. Department of State and the Federal Bureau of Investigation notified the IRS that 11 individuals were wrongfully detained or held hostage abroad. These individuals should have a hostage indicator placed on their tax account so that the IRS will know to provide appropriate tax relief.

In March 2025, the IRS also developed guidance to assist hostages and wrongfully detained taxpayers. Additionally, the IRS developed a dedicated phone resource where a live assistor can provide hostage assistance to affected taxpayers.

However, prior to the new process we found that 75 individuals were either incorrectly labeled as a hostage or did not have the indicator removed after being released from captivity. We also found that recently released hostages did not receive tax relief. For instance, the IRS did not abate penalties on some taxpayer accounts after being notified that the individuals were released from captivity.

Additionally, we found instances where the hostage indicator was not preventing account activity on tax accounts. This activity included postings of original tax returns and additional tax assessments.

What TIGTA Recommended

We made five recommendations to the Commissioner, Small Business/Self-Employed Division. We recommended that the Commissioner:

- Review all taxpayer accounts that had a hostage indicator but were not identified by partner agencies, and take appropriate actions after removing the indicator.
- Establish a process to review and monitor taxpayer accounts with a hostage indicator.
- Develop procedures to reengage taxpayers released from captivity to ensure that penalties are properly abated.
- Restrict who can add or remove a hostage indicator to a taxpayer's account.
- Ensure that the hostage indicator is functioning as intended and, in the interim, consider providing additional identity theft protection for impacted taxpayers or their representatives.

The IRS agreed with four recommendations and partially agreed with the recommendation that involved providing additional identity theft protection.



TREASURY INSPECTOR GENERAL

for Tax Administration

DATE: February 2, 2026

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM:

Nancy A. LaManna

A handwritten signature in black ink that reads "Nancy LaManna".

Deputy Inspector General for Inspections and Evaluations

SUBJECT:

Final Evaluation Report – Tax Relief Improvements Underway for
Taxpayers Wrongfully Detained or Taken Hostage
(Evaluation No.: IE-25-008)

This report presents the results of our review to assess whether the Internal Revenue Service (IRS) has effective processes and procedures for ensuring that tax relief is granted to taxpayers wrongfully detained or held hostage by foreign countries or terrorist organizations. This review was part of our Fiscal Year 2025 Annual Program Plan and addresses the major management and performance challenges of *Taxpayer Service* and *Taxpayer Rights*.

Management's complete response to the draft report is included as Appendix II. If you have any questions, please contact me or Frank O'Connor, Director, Inspections and Evaluations.

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Background

U.S. nationals (citizens or legal immigrants) held hostage by a non-state actor or wrongfully detained by a foreign government are entitled to tax relief while in captivity. The IRS provides tax relief that includes:

- Deferring collection actions, such as levies or liens, during the time the taxpayer is held hostage or wrongfully detained (collectively referred to as “held captive”). These deferred actions continue for an additional six months after the taxpayer is released.
- Abating any penalties assessed during the time the taxpayer is held captive. Penalties continue to be abated for an additional six months after the taxpayer is released.¹

The IRS partners with the U.S. Department of State (State Department) and the Federal Bureau of Investigation (FBI) to provide tax relief to victims. These partner agencies provide the IRS with information that identifies taxpayers held captive.²

The State Department reports on wrongfully detained individuals. According to the State Department, a wrongful detention case starts after an arrest overseas. A significant period of time can pass before the Secretary of State signs a memorandum that declares a “regular” detainee as a wrongful detainee. Until this memorandum is signed, the State Department will inform impacted families about tax relief available through the IRS.

Both the IRS and the State Department have indicated that some taxpayers, or their families or authorized representatives, do not want their information shared with the IRS. Instead, they choose to opt out of the tax relief. In these circumstances, the State Department does not share their information with the IRS and tax relief is not provided to the taxpayer.

The FBI notifies the IRS about taxpayers who were taken hostage. However, unlike the State Department, the FBI has indicated it does not have direct access to a hostage held in captivity. According to the FBI, it treats hostages as though they would want all possible relief, and it shares all available information with the IRS.

At the beginning of our evaluation, information sharing between the IRS and the State Department was informal. The State Department would provide the IRS with a list of impacted people on an *ad hoc* basis. The IRS did not have an established agreement to share information with the FBI.

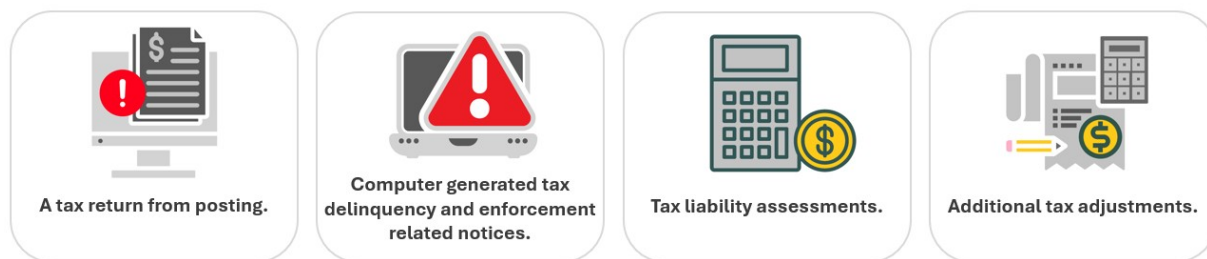
¹ Prior to these new procedures implemented in January 2025, formerly captive taxpayers had to request penalty relief under Reasonable Cause Penalty Abatements. The “Reasonable Cause” penalty relief involves the taxpayer contacting the IRS and requesting penalty abatement for cause. For example, a hostage requesting penalty relief would have to provide the IRS with a signed, written explanation of their plea.

² Specifically, the State Department’s Special Presidential Envoy for Hostage Affairs; and the FBI’s Terrorism and Special Jurisdiction Unit, Victim Services Division. This information only identifies individuals held captive outside the United States.

In October 2024 and February 2025, the IRS finalized memorandums of understanding (MOU) with the State Department and the FBI, respectively.³ These MOUs established that within 30 days of a new wrongful detainee or hostage declaration, partner agencies would provide the IRS with the taxpayer's name, Social Security Number, arrest or capture date, and, where applicable, release date. Twice a year, partner agencies will provide a summary list of all names to ensure that the IRS has the most current information. In January and April 2025, partner agencies provided the IRS with listings of current and former individuals held captive.⁴

After a partner agency notifies the IRS about a taxpayer being held captive, the IRS places an indicator on a taxpayer's account. Impacted taxpayers are designated as a "hostage" for IRS collection purposes and will have the indicator "HSTG" placed on their account in the IRS's Integrated Data Retrieval System.

The hostage indicator should prevent the following actions on tax accounts:



The IRS removes the indicator and lifts the freeze when partner agencies notify the IRS that the individual is no longer held captive. As of March 2025, if there is a collection issue on the taxpayer's account, the IRS provides a 180-day grace period (referred to as a "suspension") for additional tax relief. After the suspension, the IRS will return the account to normal processing and abate all penalties assessed during captivity.

We initiated this review after media reports about individuals who were not provided tax relief after being held captive abroad. These individuals were assessed penalties and interest for not timely filing tax returns or paying debts owed to the federal government.

Current law limits the IRS's ability to provide interest relief to formerly captive taxpayers, which never stops accruing on a taxpayer's account while the debt is owed.⁵ Additionally, the IRS is not statutorily required to provide tax relief to impacted taxpayers. However, in February 2025, legislation was introduced to ensure that United States nationals are not responsible for any tax penalties or interest during their time held captive.⁶ This legislation is still pending as of September 2025.

³ The State Department entered into the agreement pursuant to the Robert Levinson Hostage Recovery and Hostage-Taking Accountability Act, 22 U.S.C. § 1741 *et seq.* The FBI entered into the agreement pursuant to the Victims' Rights and Restitution Act of 1990, 34 U.S.C. § 20141; the Crime Victims' Rights Act of 2004, 18 U.S.C. § 3771; and the Attorney General Guidelines for Victim and Witness Assistance, 2022.

⁴ Lists from partner agencies noted 34 names, including 11 currently held captive. The remaining 23 individuals were either released to the United States or confirmed or presumed deceased while in captivity or after a terrorist attack, or they or their representatives declined tax relief.

⁵ Title 26 permits the IRS to abate interest when the interest is due to delay or error on the part of an IRS employee. This generally does not apply to formerly captive taxpayers.

⁶ Stop Tax Penalties on American Hostages Act of 2025, S.655, 119th Congress, 2025.

Results of Review

In January 2025, the IRS implemented new procedures to improve the process to provide tax relief to taxpayers wrongfully detained or taken hostage. In October 2024 and February 2025, the IRS finalized MOUs with the State Department and the FBI, respectively.

In January and April 2025, the IRS received notifications from the State Department and the FBI identifying 11 individuals wrongfully detained or held hostage. These individuals should have a hostage indicator placed on their tax account. However, prior to the new guidance, our analysis found 75 individuals that were either incorrectly labeled as a hostage or did not have the hostage indicator removed after being released from captivity.

Additionally, prior to establishing the new procedures, the IRS did not have a process to automatically abate penalties. As such, we found inconsistencies with penalty abatements and how the hostage indicator worked on the accounts. Specifically, the IRS did not [REDACTED] [REDACTED] after the individuals were released from captivity. Further, there were instances of account activity occurring even though the hostage indicator was on the account. This included original tax returns posting and additional tax assessments posting. The IRS has established a new process to abate penalties for all individuals wrongfully detained or held hostage.

We believe that the ad hoc process initially used by partner agencies and the IRS to share information on individuals held captive contributed to hostage indicators being improperly placed on accounts. Also, the lack of guidance on addressing penalty abatement and account transactions prevented individuals from obtaining tax relief.

Some Taxpayer Accounts Were Incorrectly Identified With a Hostage Indicator

In October 2024, IRS data showed [REDACTED] individuals with a hostage indicator on their tax account. However, in January and April 2025, the State Department and the FBI notified the IRS that only 11 individuals should have the hostage indicator applied to their account. Of the [REDACTED] taxpayers designated in IRS records, only [REDACTED]. The other 75 individuals were either incorrectly labeled as a hostage or did not have the hostage indicator removed after being released from captivity.

The IRS stated that it did not maintain all historical transmissions from partner agencies. Additionally, before the MOUs and updated procedures, the date the indicator was added or removed was not captured. Therefore, we were unable to determine why the remaining accounts had an indicator or when it was added to the taxpayer's account. According to the IRS, due to the delicate nature of these cases, they wanted to wait until the partner agencies could confirm an accurate list before taking any action on taxpayer accounts.

[REDACTED]. These individuals were not previously reported to the IRS by partner agencies. Figure 1 provides a breakdown of the accounts with a hostage indicator.

Figure 1: Breakdown of IRS Hostage Indicators



Sources: TIGTA's analysis of data from the IRS Compliance Data Warehouse, the IRS Integrated Data Retrieval System, the FBI, and the State Department.

Note: Partner agencies identified 3 of the 75 individuals as former hostages or detainees and should not have the hostage indicator.

Individuals will not receive tax relief if the hostage indicator is not placed on their account. However, incorrectly placing the hostage indicator on a tax account can unnecessarily burden the taxpayer. For instance, we found that at least seven individuals had their tax returns blocked from posting. These taxpayers, or their representatives, had to call the IRS to determine the status of a tax return or refund. Additionally, if a taxpayer owed a debt and was incorrectly identified with an indicator, the systemic issuance of collection's notices to the taxpayer would be prevented.

IRS officials stated that they plan to update taxpayer accounts to ensure that individuals on the State Department and FBI notification lists have indicators. The IRS also indicated that if a taxpayer owes a debt but should not have an indicator, the agency will address each issue on a case-by-case basis. In addition, the IRS noted that a specialized team of employees has been trained and received procedures to work on these types of accounts going forward.

Where possible, the IRS indicated it plans to automate parts of the hostage indicator process to include:

- Updating the indicators programming and creating a new code separate from the existing code.
- Automating the receipt and processing of information from partner agencies.
- Developing a clear method for determining when the hostage indicator is added or removed from a taxpayer's account. The current process does not provide historical data on when the indicator was placed on or removed from an account.

The Commissioner, Small Business/Self-Employed Division, should:

Recommendation 1: Review all taxpayer accounts that had a hostage indicator, but were not identified on partner agency lists, to determine whether appropriate corrective actions and relief are necessary after the removal of the hostage indicator, *e.g.*, ensure that refunds are issued, interest paid on held returns, *etc.*

Management's Response: IRS management agreed with this recommendation and will review all taxpayer accounts with hostage indicators that are not validated by partner agency listings and take corrective actions as appropriate.

Recommendation 2: Establish a process to regularly review and closely monitor taxpayer accounts with a hostage indicator. The indicator should be placed or removed from accounts to ensure that IRS records reconcile with State Department and FBI listings of individuals held in captivity and seeking tax relief. The indicator should also be removed from tax accounts that are not identified on the partner agency's listings.

Management's Response: IRS management agreed with this recommendation and will establish a reconciliation process to ensure that indicators are applied and removed promptly. The IRS will place the review process in internal guidelines.

After Their Release, Taxpayers Held Captive Were Not Granted Tax Relief and Did Not Receive Adequate Guidance

The IRS [REDACTED]

[REDACTED]. According to the IRS, internal guidance did not specifically state that impacted taxpayers would have their penalties abated until January 2025. Prior to that update, taxpayers could receive penalty relief under the IRS's Reasonable Cause policy. However, taxpayers were required to contact the IRS and request that penalties be removed for specific reasons such as a hardship.

From January 2024 through April 2025, the FBI and State Department notified the IRS of 13 taxpayers released from captivity. We conducted tax account research on these individuals to determine whether the IRS provided tax relief. We found that:

- [REDACTED]
- [REDACTED]

The remaining individuals either did not have a tax account, or did not have any outstanding balances or pending enforcement activity. For the [REDACTED]
[REDACTED]. We reviewed case notes and did not find any evidence that the IRS reached out to the taxpayers after their release. According to current guidance, all penalties during captivity through the end of the 180-day period should be abated.

During our evaluation, the IRS developed guidance to assist impacted taxpayers. In March 2025, the IRS released Publication 6090, *Assistance for Hostage and Wrongfully Detained Taxpayers*. This guide presents an overview of available tax relief, defines who qualifies, and provides information on how impacted taxpayers or others can contact the IRS. The IRS plans to provide this publication to the State Department and the FBI to share with families and taxpayers.

The IRS also posted similar information on [IRS.gov/hostage](https://www.irs.gov/hostage). In addition, the IRS developed a dedicated phone resource where a live assistor can provide hostage assistance to affected taxpayers.

The IRS stated that it plans to develop additional procedures to ensure sensitive reengagement with taxpayers upon their release from captivity. However, apart from internal guidance on how to add and remove the hostage indicator, we did not find any internal procedures explaining how or when to contact taxpayers after their release. Additionally, we did not find procedures on how the IRS would work with an impacted taxpayer to ensure that:

- Tax accounts are reviewed and updated.
- Unfiled returns have been filed without penalties.
- Account transactions are correct.
- Refunds have been received, where appropriate.

Further, Publication 6090 does not outline how the IRS plans to reengage taxpayers once the State Department or the FBI notifies the IRS about a taxpayer's release from captivity. For example, the guidance implies that it is primarily the taxpayer's responsibility to reengage, and they should call the phone number provided in Publication 6090 to update their address. The publication also suggests that the IRS may contact the taxpayer, which could cause confusion.

Each taxpayer is entitled to a clear explanation of IRS procedures, how they can comply with tax laws, and a right to pay only the amount of tax legally due, including interest and penalties. Additionally, taxpayers have the right to receive clear, easy-to-understand communications from the IRS.⁷ Without additional internal procedures related to reengaging released taxpayers, there is a risk that the IRS does not provide these taxpayers with appropriate tax relief.



Publication 6090, *Assistance for Hostage and Wrongfully Detained Taxpayers*. [IRS.gov](https://www.irs.gov).

⁷ Taxpayer Bill of Rights 3 (TBOR3), Pub. L. No. 105-206, 112 Stat. 726 (1998) (codified as amended in scattered sections of 26 U.S.C.).

Recommendation 3: The Commissioner, Small Business/Self-Employed Division, should develop internal procedures to reengage released taxpayers and ensure that, at a minimum, account transactions, penalties, refunds, and records are accurate and up to date.

Management's Response: IRS management agreed with this recommendation and will develop procedures to reengage taxpayers upon notification of release to ensure that penalties are abated and refunds are issued where applicable.

Hostage Indicator May Not Be Functioning as Intended

We reviewed all taxpayer accounts with a hostage indicator and [REDACTED]. The IRS was unable to determine why these actions were not prevented, or if the programming behind the indicator is working as intended.

Further, the IRS was unable to provide any documentation that explains the programming behind the hostage indicator. According to internal guidance and discussions with IRS officials, the hostage indicator is supposed to freeze and protect an account while the taxpayer is held captive and prevent certain IRS actions, such as:

- A tax return from posting.
- Computer-generated taxpayer delinquency and enforcement notices.
- Tax liability assessments.
- Additional tax adjustments.

The IRS does not restrict who can add or remove an indicator. IRS employees can unintentionally add it to taxpayer accounts using the same command code that updates names and addresses. For example, we identified [REDACTED].

The indicator also does not prevent IRS employees from manually issuing letters to the taxpayer. IRS officials stated that employees should not be sending letters to a hostage or detainee. Research into a taxpayer's account should inform an employee about the taxpayer's status.

The hostage indicator should freeze a taxpayer's account while a taxpayer is held captive. However, as previously mentioned, the indicator does not always work as intended. Identity theft protection can provide another layer of security when the indicator does not operate as designed. The IRS could consider assigning hostages an Identity Protection Personal Identification Number (IP PIN) as an added layer of security.⁸

Taxpayers held captive may have their names and other personal information, *e.g.*, city and state, made publicly available through news outlets and online third parties. This makes it much easier for criminals to commit fraudulent acts against the tax accounts of those held captive. We

⁸ An IP PIN is a six-digit number assigned to a taxpayer to prevent misuse of their taxpayer identification number. Once an IP PIN is assigned, a taxpayer must include their IP PIN when filing. This provides the taxpayer an additional level of security.

also discovered several third-party outlets published the names of at least 20 individuals who were believed to be held captive overseas. Some of these taxpayers have been provided with tax relief through coordination with the IRS and its partner agencies. We believe that this public exposure creates a vulnerability and increases the likelihood that someone might attempt to steal the identity of taxpayers held captive.

According to the IRS, representatives of taxpayers held captive can file tax returns on behalf of an impacted taxpayer. Since the hostage indicator does not successfully block all returns from posting, there is the possibility of fraudulent activity. If the IRS accepts a fraudulent return, the captive taxpayer would have limited or no resources to dispute the return, and may not be aware of its existence. However, providing relief to impacted taxpayers in the form of an IP PIN could help prevent fraudulent returns from being accepted.

The Commissioner, Small Business/Self-Employed Division, should:

Recommendation 4: Restrict who can add or remove hostage indicators.

Management's Response: IRS management agreed with this recommendation and will partner with IRS Information Technology to develop a plan to reprogram the hostage indicator to add the needed restrictions.

Recommendation 5: Ensure that the programming for the hostage indicator is functioning as intended, and that unintended actions are not occurring on taxpayer accounts. In the interim, consider coordinating with the Identity Theft Victim Assistance Program when the IRS is notified of a new impacted taxpayer to provide appropriate protection, such as an IP PIN.

Management's Response: IRS management partially agreed with this recommendation and will review the functionality of the hostage indicator to ensure that it is working as intended. If unintended actions are identified, management will work with IRS Information Technology to reprogram as needed. According to the IRS, placing IP PINs on every case could create a burden on taxpayers. The IRS will monitor each case for signs of identity theft and refer such cases to the appropriate function for processing. In addition, management stated that they will add a cross-reference to identity theft guidance in IRS internal hostage procedures.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this evaluation is to assess whether the IRS has effective processes and procedures for ensuring that tax relief is granted to taxpayers wrongfully detained or held hostage by foreign countries or terrorist organizations. To accomplish our objective, we:

- Identified the process the IRS established with the State Department and the FBI to determine which taxpayers should be granted tax relief and how that tax relief will be provided.
- Reviewed the IRS's internal and public-facing guidance to determine how the IRS will manage the program area and what information will be available to taxpayers.
- Identified and reviewed all taxpayer accounts that had a hostage indicator to determine whether prohibited activity was prevented, and taxpayers were appropriately classified.
- Identified procedures for when taxpayers are known or assumed to be held captive, have not been reported by the State Department or the FBI, and are not reported on the list of those to receive tax relief.

Performance of This Review

This review was performed with information from the IRS's Small Business/Self-Employed Division during the period of December 2024 through June 2025. We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Those standards require that the work adheres to the professional standards of independence, due professional care, and quality assurance and followed procedures to ensure accuracy of the information presented. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Data Validation Methodology

We performed tests to assess the reliability of data from the TIGTA Data Center Warehouse and the IRS Compliance Data Warehouse. We evaluated the data by performing electronic testing of required data elements, reviewing existing information about the data and the system that produced them, and interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for purposes of this report.

Appendix II

Management's Response to the Draft Report



COMMISSIONER
SMALL BUSINESS/Self-EMPLOYED DIVISION

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

December 16, 2025

MEMORANDUM FOR NANCY A. LAMANNA
DEPUTY INSPECTOR GENERAL FOR INSPECTIONS AND
EVALUATIONS

FROM:

Lia Colbert **Amalia C. Colbert** Digitally signed by Amalia C. Colbert
Date: 2025.12.17 10:14:42 -05'00'
Commissioner, Small Business/Self-Employed Division

SUBJECT:

Draft Evaluation Report – Tax Relief Improvements Underway for
Taxpayers Wrongfully Detained or Taken Hostage (Evaluation
No.: IE-25-008)

Thank you for the opportunity to review and comment on the subject draft report. When U.S. nationals are wrongfully detained abroad or taken hostage by non-state actors, the IRS has a critical responsibility to ensure these individuals or their representatives are not further burdened by unnecessary tax compliance actions. The tax relief available to victims, including the suspension of collection actions and penalty abatement, reflects our obligation to uphold taxpayer rights during extraordinary circumstances.

While no statute mandates specific relief for hostages, the IRS has administrative authority to abate penalties, suspend collections, and help taxpayers re-engage with the tax system. Exercising this authority in these circumstances is not only consistent with IRS practice but also reflects the agency's commitment to fairness, compassion, and better serving taxpayers.

We recognize the sensitivity of these cases and the importance of working closely with our partner agencies, including the Department of State (DOS) and the Federal Bureau of Investigation (FBI). Importantly, prior to TIGTA's review, we were already engaged in strengthening our processes and had begun implementing program improvements to better serve affected taxpayers. These actions demonstrate our proactive approach to safeguarding taxpayer rights in highly sensitive situations.

We appreciate TIGTA's review of the improvements we've already made. These include, but are not limited to:

- Formalized Coordination with Partner Agencies
 - Finalized Memorandums Of Understandings with the DOS (October 2024) and the FBI (February 2025) to ensure timely and accurate notification of impacted individuals.
 - Established semiannual reconciliation of hostage and detainee listings to maintain account accuracy.
- Strengthened Taxpayer Communication and Guidance
 - Released Publication 6090, *Assistance for Hostage and Wrongfully Detained Taxpayers* (March 2025), distributed to partner agencies, and posted to IRS.gov/hostage.
 - Established a dedicated phone line (May 2025) with live assistants to provide direct support to taxpayers and/or representatives.
 - Established a hostage and wrongfully detained taxpayers landing page on IRS.gov (March 2025), giving families and/or representatives a clear avenue to obtain information and assistance.
- Enhanced Internal Controls
 - Trained a specialized IRS team to manage hostage-related accounts.
 - Issued new guidance to employees in December 2024 to improve the penalty abatement and account adjustment process following taxpayer release.

In addition to these proactive measures, we agree with TIGTA that further enhancements are needed to ensure consistency, reliability, and appropriate safeguards. For example, TIGTA's report highlights cases in which hostage indicators were misapplied or did not function as intended. We acknowledge the importance of refining programming and strengthening controls, and we are committed to addressing these issues while also improving outreach after release so that affected taxpayers fully understand and receive the relief to which they are entitled.

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

Attachment

Recommendations

The Commissioner, Small Business/Self-Employed Division, should:

RECOMMENDATION 1:

Review all taxpayer accounts that had a hostage indicator, but were not identified on partner agency lists, to determine whether appropriate corrective actions and relief are necessary after the removal of the hostage indicator, e.g., ensure that refunds are issued, interest paid on held returns, etc.

CORRECTIVE ACTION:

We agree. We will review all taxpayer accounts with hostage indicators not validated by partner agency listings. Corrective actions will be completed as appropriate.

IMPLEMENTATION DATE:

April 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.

RECOMMENDATION 2:

Establish a process to regularly review and closely monitor taxpayer accounts with a hostage indicator. The indicator should be placed or removed from accounts to ensure that IRS records reconcile with the State Department and FBI listings of individuals held in captivity and seeking tax relief. The indicator should also be removed from tax accounts that are not identified on the partner agency's listings.

CORRECTIVE ACTION:

We agree. We will establish a reconciliation process to ensure indicators are applied and removed promptly. We will place the review process in the IRM 5.19.1.

IMPLEMENTATION DATE:

By August 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.

RECOMMENDATION 3:

Develop internal procedures to reengage released taxpayers and ensure that, at a minimum, account transactions, penalties, refunds, and records are accurate and up to date.

CORRECTIVE ACTION:

We agree. We will develop procedures to reengage taxpayers upon notification of release to ensure penalties are abated and refunds are issued where applicable.

IMPLEMENTATION DATE:

By June 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.

RECOMMENDATION 4:

Restrict who can add or remove hostage indicators.

CORRECTIVE ACTION:

We agree. We will partner with IT to develop a plan to reprogram the hostage indicator to add the needed restrictions.

IMPLEMENTATION DATE:

By August 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.

RECOMMENDATION 5:

Ensure that the programming for the hostage indicator is functioning as intended, and that unintended actions are not occurring on taxpayer accounts. In the interim, consider

coordinating with the Identity Theft Victim Assistance Program when the IRS is notified of a new impacted taxpayer to provide appropriate protection, such as an IP PIN.

CORRECTIVE ACTION:

We partially agree. We will review the functionality of the hostage indicator to ensure it is working as intended. If unintended actions are identified, we will work with IT to reprogram as needed. Placing IP PINs on every case could create a burden on taxpayers. We will monitor each case for signs of identity theft and refer such cases to Identity Theft for processing. In addition, IRS will add a cross reference to Identity Theft in the IRM 5.19.1 hostage procedures.

IMPLEMENTATION DATE:

By September 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.

Appendix III

Abbreviations

FBI	Federal Bureau of Investigation
IP PIN	Identity Protection Personal Identification Number
IRS	Internal Revenue Service
MOU	Memorandum of Understanding
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.