

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Fiscal Year 2026 Review of Illegal Tax Protestor and Similar Designations

July 27, 2026

Report Number: 2026-3S0-040

HIGHLIGHTS: Fiscal Year 2026 Review of Illegal Tax Protester and Similar Designations

Final Report issued on July 27, 2026

Report Number 2026-3S0-040

Why TIGTA Did This Review

In July 1998, Congress enacted the IRS Restructuring and Reform Act of 1998 (RRA 98). Section (§) 3707 of this law prohibits the IRS from designating taxpayers as illegal tax protesters.

In addition, the law requires the removal of all existing illegal tax protester codes from the IRS Master File and instructs IRS employees to disregard any such designations not located in the Individual Master File.

Internal Revenue Code § 7803(d)(1)(A)(v) requires us to annually evaluate the IRS's compliance with the prohibition against using illegal tax protester or similar designations.

Impact on Tax Administration

Using illegal tax protester or other similar designations may stigmatize taxpayers and may cause employee bias in future contacts with these taxpayers.

What TIGTA Found

The IRS is compliant with the requirements outlined in RRA 98 § 3707. In January 1999, the IRS removed the illegal tax protester designation from the Master File. We determined that illegal tax protester codes were not being used on the Master File during our review period of July 1, 2024, through June 30, 2025.

Specifically, we confirmed that illegal tax protester codes are not included in the current list of Master File transaction codes and verified that they are not in the current Master File Program Requirements Package. This Program Requirements Package documents the instructions that define how tax returns and tax forms can be processed to the Master File.

RRA 98 § 3707 does not limit violations only to designations in the Master File. IRS procedures state that employees should be aware to not refer to the taxpayer as an illegal tax protester (or any similar designation) anywhere in their case files. This includes when referring to taxpayers in case notes located on IRS information systems.

In addition, IRS employees should not designate taxpayers as illegal tax protesters or other similar designations in any records, which include paper and electronic records. These procedures are used by employees who work in collection, examination, customer service (in-person, on the phone, or through correspondence), accounts management, and investigating criminal activity.

These procedures explicitly instruct employees not to use illegal tax protester or a similar designation on IRS information systems when referring to taxpayers in case notes, narratives or history entries. As prohibited by RRA 98 § 3707, IRS employees should not designate taxpayers as illegal tax protesters or other similar designations in any records, which include paper and electronic records. These IRS procedures make IRS employees aware of these prohibitions to ensure that inappropriate designations are not continued and to decrease the chances that they may influence the objectivity of other employees.

This report provides information only, so we made no recommendations. IRS officials were provided an opportunity to review the draft report and did not provide any comments.



**TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION**

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

July 27, 2026

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Diana M. Tengesdal
Deputy Inspector General for Audit

SUBJECT: Final Report – Fiscal Year 2026 Review of Illegal Tax Protester and
Similar Designations (Review No.: 20263S0017)

This report presents the results of our review of the guidelines that prohibit Internal Revenue Service (IRS) officers and employees from referring to taxpayers as illegal tax protesters or any similar designation. We performed this review during the period February 2026 through June 2026. We are issuing this report because we are required to annually evaluate the IRS's compliance with the prohibition against using illegal tax protester or similar designations. This review is part of our Fiscal Year 2026 Program Plan and addresses the major management and performance challenge of *Improving Taxpayer Service* and *Protecting Taxpayer Rights*.

Although we made no recommendations in this report, we provided IRS officials with an opportunity to review the draft report. IRS management did not provide us with any comments. If you have any questions, please contact me or Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations).

Background

In July 1998, Congress enacted the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (RRA 98).¹ Section (§) 3707 of this law prohibits the IRS from designating taxpayers as illegal tax protesters (ITP) or any similar designations. In addition, the law requires the removal of all existing ITP codes from the IRS Master File and instructs IRS employees to disregard any such designations not located on the Individual Master File (IMF).² Internal Revenue Code § 7803(d)(1)(A)(v) requires us to annually evaluate the IRS's compliance with the prohibitions against using the ITP or similar designations per RRA 98 § 3707.

Before the enactment of RRA 98, the IRS used the ITP Program to identify individuals and businesses that were using legally invalid methods to protest tax laws. IRS employees identified taxpayers for referral to the program when their tax returns or correspondence contained specific indicators of noncompliance with tax laws. For example, indicators such as the use of arguments that had been repeatedly rejected by the courts. There were functional coordinators who were responsible for determining whether a taxpayer should be included in the program. If a taxpayer was classified as an ITP, the IRS coded the taxpayer's record on the IMF so that certain tax enforcement actions could be accelerated. The designation was also intended to alert employees to be cautious so they would not be drawn into confrontations with taxpayers.

Congress was concerned that some taxpayers were being permanently labeled and stigmatized by this designation even though they had subsequently become compliant with the tax laws. The concern was that this label could bias IRS employees and result in unfair treatment of the taxpayer. Therefore, as part of a larger restructuring of the IRS, RRA 98 also included a prohibition on the IRS's use of ITP designations.

Master File is the IRS's official tax data repository

The IRS's Master File is the official repository for all taxpayer data extracted from magnetic tape records, paper and electronic tax returns, payments, transactions, notices, and related documents. Taxpayer account data are stored in the Master File that is analyzed and updated weekly. The Master File includes:

- The IMF - stores select data elements from individual tax return submissions and other transactions affecting a taxpayer's account, including subsequent IRS collection actions.
- The Business Master File – stores transactions and accounts for businesses including employment, income, and excise taxes.

¹ Pub. L. No. 105-206, 112 Stat. 685.

² See Appendix I for a glossary of terms.

Objective

The overall objective of this review was to determine whether the IRS complied with guidelines that prohibit IRS officers and employees from referring to taxpayers as ITP or any similar designation. This report provides information only, so we made no recommendations.

Results of Review

Illegal Tax Protester Codes Are Not Used on the Master File

The IRS is compliant with the requirements outlined in RRA 98 § 3707. In January 1999, the IRS removed the illegal tax protester designation from the Master File. We determined that ITP codes were not being used on the Master File during our review period of July 1, 2024, through June 30, 2025. Specifically, we confirmed that ITP codes are not included in the current list of Master File transaction codes and verified that they are not in the current Master File Program Requirements Package. This Program Requirements Package documents the instructions that define how tax returns and tax forms can be processed to the Master File.

IRS Procedures Prohibit Employees' Use of the ITP Designation

RRA 98 § 3707 does not limit violations to Master File designations only. IRS procedures state that employees should not refer to the taxpayer as an illegal tax protester (or any similar designation) anywhere in their case files. These procedures are used by employees who work on collection, examination, customer service (in-person, on the phone, or through correspondence), accounts management, and investigate criminal activity. Some selected excerpts from IRS procedures are shown below:

Do not use the term illegal tax protester or similar designations on the Integrated Data Retrieval System (IDRS), Automated Collection System (ACS) history codes, or Accounts Management Services comments. RRA 98 § 3707 prohibits the use of any tax protester or similar designation to describe the taxpayer. If you identify any such reference, immediately inform your manager. Terms such as frivolous argument or tax avoidance argument are examples of acceptable terms to use.

All employees must stop identifying any taxpayer's account as a tax protester. Do not use the term illegal tax protester or similar designations on IDRS, ACS, Accounts Management Services or Correspondence Imaging Inventory. This includes any comments, narratives, and/or histories. Terms such as frivolous argument or tax avoidance argument are acceptable terms to use.

If the case is rerouted, all employees must discontinue identifying any taxpayer's account as a tax protester. Do not use the term illegal tax protester or similar designation on IDRS, ACS, or Desktop Integration. This includes any comments, narratives, or histories. Terms such as frivolous argument or tax avoidance are acceptable terms to use.

Refrain from the use of the terms illegal tax protester, constitutionally challenged, or similar language when referring to taxpayers. When in doubt describe the action, such as, the taxpayer has filed frivolous returns, or the taxpayer adamantly refuses to file required returns.

These procedures explicitly instruct employees not to use ITP or a similar designation on IRS information systems when referring to taxpayers in case notes, narratives, or case history entries. As prohibited by RRA 98 § 3707, IRS employees should not designate taxpayers as ITP or other similar designations in any records, which include paper and electronic records. These IRS procedures make IRS employees aware of these prohibitions to ensure that inappropriate designations are not continued and to decrease the chances that they may influence the objectivity of other employees.

Conclusion

The intent of RRA 98 § 3707 is to prevent permanent stigmatization and unfair treatment of taxpayers by IRS employees. We concluded that the IRS complied with RRA 98 § 3707 when it stopped using the ITP designation in January 1999 by removing the ITP coding from the IMF and Business Master File. The IRS did not reintroduce past illegal tax protester codes or similar designations on taxpayer accounts during the scope of our review. We also found that IRS procedures instruct employees not to designate taxpayers as ITP or other similar designations in any records, which include paper and electronic records.

Performance of This Review

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Federal Offices of Inspector General*. Those standards require that the work adheres to the professional standards of independence, due professional care, and quality assurance and follows procedures to ensure accuracy of the information presented. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the objective of our review.

Appendix I

Glossary of Terms

Term	Definition
Accounts Management Services	A computer-based system used to answer and resolve all taxpayer account inquiries. It provides a common interface that allows users of multiple IRS systems to view history and comments from other systems.
Automated Collection System	A legacy system that provides a computerized telephone tax collection system designed to help 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.
Correspondence Imaging Inventory	Inventory of images of correspondence from taxpayers intended for IRS Accounts Management employees. Correspondence includes letters, returned notices, and standard forms that were scanned and electronically routed to Accounts Management employees.
Individual Master File	The IRS database that maintains transactions or records of individual accounts.
Integrated Data Retrieval System	IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.
Master File	The IRS database that stores various types of taxpayer account information. It includes individual, business, and employee plans and exempt organizations data.
Transaction Code	A three-digit code used to identify actions being taken on a taxpayer's account.

Appendix II

Abbreviations

ACS	Automated Collection System
IDRS	Integrated Data Retrieval System
IMF	Individual Master File
IRS	Internal Revenue Service
ITP	Illegal Tax Protester
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
TIGTACommunications@tigta.treas.gov.**

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