



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20005

INSPECTOR GENERAL
FOR TAX
ADMINISTRATION

June 30, 2020

The Honorable Richard E. Neal
Chairman
Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515

The Honorable John Lewis
Chairman
Committee on Ways and Means
Subcommittee on Oversight
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Neal and Chairman Lewis:

In your June 25, 2020 correspondence, you requested that our office provide information regarding the Internal Revenue Service (IRS) decision to issue collection notices to taxpayers with an accompanying errata sheet inserted with the notices. The questions you raised and the answers to those questions are below:

Question 1: Does TIGTA have any concerns with respect to the validity of, and decision to issue, the balance due notices?

Answer 1: Yes, we do have concerns with the notices. As you note in your correspondence, the IRS sent approximately 1.5 million taxpayers a collection notice demanding payment with an insert advising taxpayers to disregard the demand for payment. We agree that this would likely confuse taxpayers who received the notice. The IRS established the People First Initiative as part of its response to the COVID-19 pandemic, which suspended most enforcement actions between April 1 to July 15, 2020, and changed the filing deadline from April 15 to July 15, 2020. Some taxpayers may not have read the insert and sent a payment into the IRS, even though the payment was not required at that time because of the People First Initiative.

IRS management informed us that some of the taxpayers who received these notices had filed tax returns for the 2019 tax year before the initial filing deadline of April 15th. Initially, IRS management indicated there were approximately 750,000 notices sent to taxpayers with a 2019 balance due; however, they

subsequently revised this number to approximately 300,000. The remaining 1.2 million taxpayers who received the notice had filed balance due tax returns with a due date before April 1, 2020, such as taxpayers filing past due returns for previous tax years.

Taxpayers filing their 2019 tax returns reflecting a balance due do not have a delinquency until after the due date for the tax return, which is now July 15, 2020. Although IRS management stated that they suppressed the assessment of interest and penalties during the period of April 1 through July 15, 2020, they decided to assess the taxes on these taxpayers before the due date for their tax returns.

IRS management informed us that the decision to issue these notices was based on the desire to satisfy the legal requirement to send notice and demand to taxpayers before beginning enforcement action. The intent was to address as many delinquent taxpayers as possible before the shutdown, which IRS management knew would occur in March 2020. However, section 6201 of the Internal Revenue Code authorizes the IRS to assess taxes which have not been duly paid in the manner provided by law, e.g., by the due date for the filing of a tax return. Therefore, it is unclear whether the IRS actually achieved its desired goal of sending a notice and demand since payment was not actually due at the time the IRS sent the notices.

The IRS does not believe that taxpayers were harmed by the decision to issue these collection notices; however, we believe the notices could have caused harm if they resulted in taxpayer confusion or misunderstanding. At a minimum, we believe the taxpayers filing their 2019 tax returns with a balance due received an incorrect collection notice.

Question 2: How many balance due notices were printed prior to the pandemic, and how many were mailed? Please separately provide the number of notices related to the 2019 tax year.

Answer 2: IRS management indicated to us that 1.5 million notices were printed and all of the notices were mailed. Initially, they stated that of this total number, approximately 750,000 were sent to 2019 filers; however, the IRS subsequently amended the number to approximately 300,000.

TIGTA plans to initiate an audit so that we can provide a more complete assessment of the number of taxpayers who were impacted by the IRS's decisions.

Question 3: Who reviewed and approved the issuance of these notices? We understand that the Office of Servicewide Penalties (OSP) may have been involved in the decision to mail these notices, and we would like more information about this office and its role in this decision.

Answer 3: The IRS has informed us that the Office of Servicewide Penalties, in consultation with the IRS Chief Counsel's office and other IRS functions, reviewed and approved the issuance of these notices. The Office of Servicewide Penalties is under the management of the Small Business/Self-Employed Division, and its stated purpose is to promote fair, consistent and accurate application and use of civil penalties in order to encourage voluntary compliance through penalty policy guidance and support.

As indicated above, we plan to initiate an audit to further evaluate the decisions made related to communications and compliance actions during and after the period when enforcement actions were suspended due to the pandemic.

If you have any questions or require further information regarding this matter, please do not hesitate to call me at (202) 622-6500, or have a member of your staff contact Michael McKenney, Deputy Inspector General for Audit, at (202) 622-6510.

Sincerely,

A handwritten signature in cursive script that reads "J. Russell George".

J. Russell George
Inspector General