



## Treasury Inspector General for Tax Administration

### FISCAL YEAR 2008 STATUTORY AUDIT OF COMPLIANCE WITH NOTIFYING TAXPAYERS OF THEIR RIGHTS WHEN REQUESTED TO EXTEND THE ASSESSMENT STATUTE

Issued on June 5, 2008

## Highlights

Highlights of Report Number: 2008-40-127 to the Internal Revenue Service Deputy Commissioner for Services and Enforcement.

### IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) is required by law to notify taxpayers of their rights when requesting an extension of the statute of limitations for assessing additional taxes and penalties. In passing this law, Congress expressed concern that taxpayers were not being advised adequately of their rights to refuse to extend the statute of limitations or to request that a statute extension be limited to specific issues or a specific period of time. Based on the results of our review, the IRS is complying with the intent of the law. However, there were still some instances in which IRS employees did not document whether taxpayers or their representatives were advised of these rights.

### WHY TIGTA DID THE AUDIT

This audit was initiated because it is required by the IRS Restructuring and Reform Act of 1998. The overall objective of this review was to determine whether the IRS was complying with Internal Revenue Code Section 6501(c)(4)(B), which requires that the IRS provide notice to taxpayers of their rights to decline to extend the assessment statute of limitations or to request that any extension be limited to specific issues or a specific period of time. TIGTA is required to provide information annually regarding the IRS' compliance with this provision.

### WHAT TIGTA FOUND

The IRS has shown improvement over prior years when documenting that taxpayers were informed of their rights. The percentage of case files without documentation has steadily decreased over the last 5 years. However, there were still instances in which there was no documentation in the related case files to show that taxpayers were advised of their rights regarding assessment statute extensions.

In a statistical sample of 139 tax returns, 6 percent of the related case files reviewed did not adequately document that the taxpayers had been advised of their rights regarding assessment statute extensions. This sample included 109 case files with authorizations for third-party representation. TIGTA found that 8 percent of the 109 case files did not contain documentation that the taxpayers' representatives were provided with the required notification.

### WHAT TIGTA RECOMMENDED

TIGTA made no recommendations in this report because prior recommendations were still effective and because of the IRS' continued improvement. However, key IRS management officials reviewed the report prior to issuance and agreed with the facts and the presentation of the difference in the interpretation of the law as to whether informing a taxpayer's representative meets the requirement that the taxpayer be informed. Because of the difference in the interpretation of the law, the IRS disagrees with our outcome measure involving the protection of taxpayer rights and entitlements for taxpayers whose related case files did not contain adequate documentation to show that the taxpayers were advised of their rights when assessment statutes were extended.

However, TIGTA believes that taxpayer rights could be negatively affected if the IRS does not comply with statutory and regulatory provisions and its own procedures and publications requiring that taxpayers be directly notified of their rights related to extensions of the assessment statute of limitations.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2008reports/200840127fr.pdf>.

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