



Treasury Inspector General for Tax Administration

THE TAXPAYER ADVOCATE SERVICE NEEDS TO IMPROVE ITS PROCESSING OF ECONOMIC BURDEN CASES

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Highlights

Highlights of Report Number: 2008-10-088 to the Internal Revenue Service National Taxpayer Advocate.

IMPACT ON TAXPAYERS

Economic burden cases typically involve taxpayers who are requesting Taxpayer Advocate Service (TAS) assistance because an Internal Revenue Service (IRS) action or inaction is creating (or potentially creating) a financial hardship. More than 50 percent of the economic burden cases TIGTA sampled had errors and delays that might have burdened taxpayers and/or affected Federal Government revenues. Many of these taxpayers, who had been unable to receive necessary assistance from the IRS, were potentially further burdened or experienced potential violations of their rights or privacy by the TAS.

WHY TIGTA DID THE AUDIT

This audit was initiated because economic burden cases are the most critical and time-sensitive cases in the TAS inventory. In most cases, the taxpayer has asked the TAS to stop an IRS enforcement action (e.g., a wage levy) or to expedite a process (e.g., issuing a refund from a tax return being audited). The objective of this review was to determine whether the TAS has an effective system to process taxpayer requests for relief due to economic burden.

WHAT TIGTA FOUND

The TAS has been granted special authorities and tools to assist taxpayers who might have urgent financial needs. However, TIGTA noted significant inconsistencies in how these tools and authorities were used. In addition, details of taxpayers' burdens were not documented in the case histories, so TIGTA could not determine if the taxpayers received the most appropriate types of service. It was also difficult to determine why some taxpayer cases were afforded priority handling and others were not.

Although the TAS has formal guidelines to ensure that cases are processed accurately, completely, and in a timely manner, more than 50 percent of the cases TIGTA sampled had errors and delays that might have

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burdened taxpayers and/or affected Federal Government revenues. TIGTA found evidence of untimely actions, technical errors, and procedural errors. In some instances, the taxpayer's issue was not fully addressed. Further, some taxpayers might have had their rights or privacy violated because the TAS bypassed authorized representatives, made unauthorized disclosures to third parties, did not pay the proper interest on refunds, or denied claims erroneously.

Some administrative issues also require attention. For example, a significant number of cases were miscoded, which might preclude the TAS from identifying systemic problems that affect large groups of taxpayers. Further, the TAS' internal quality controls appeared to have reported an overall quality rating significantly higher than of that in our audit results.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the National Taxpayer Advocate develop and implement formal procedures to identify and correct errors on account adjustments and manual refunds, conduct regular reviews before cases are closed to ensure that all issues are addressed, update Internal Revenue Manual Part 13 to require that case advocates document the details of the taxpayer's economic burden as part of the initial case analysis, analyze a sample of referrals from the IRS business units to assess the accuracy of the case coding and the adequacy of the problem description, and provide additional training on proper case coding.

In their response to the report, IRS officials stated that they agreed with five of the six recommendations and plan to take appropriate corrective actions. The actions include formalizing case review procedures and analyzing a sample of internally referred cases. The TAS decided not to require the business units to conduct reviews of referrals to the TAS and disagreed with our recommendation to update the Internal Revenue Manual because they believe that the information currently collected by case advocates is adequate.

TIGTA continues to believe that better documentation will help the TAS arrive at the most appropriate solution for taxpayers, especially because some of our sample cases had little or no information in the electronic cases to help clarify the details of the taxpayers' circumstances. Further, the TAS should reconsider requiring managerial reviews by the IRS business units to help identify incomplete or inappropriate information.

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/200810088fr.pdf>

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