

Volume 2

TAS RESEARCH AND RELATED STUDIES

**Further Analyses of “Federal Tax Liens
and Letters: Effectiveness of the Notice of
Federal Tax Liens and Alternative IRS Letters
on Individual Tax Debt Resolution”**

Further Analyses of “Federal Tax Liens and Letters: Effectiveness of the Notice of Federal Tax Liens and Alternative IRS Letters on Individual Tax Debt Resolution”¹

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1 The principal authors of the study are Terry Ashley, Laura Baek, Joe Saldana, Stacie Swanson, and Jeff Wilson. For more information, please see Ishani Roy, Brett Collins, Alex Turk, Alan Plumley, Terry Ashley, and Jeff Wilson, Internal Revenue Service, *Federal Tax Liens and Letters: Effectiveness of the Notice of Federal Tax Liens and Alternative IRS Letters on Individual Tax Debt Resolution* (This study will appear in an upcoming IRS Research Bulletin.)

EXECUTIVE SUMMARY

A federal tax lien (FTL) arises when the IRS assesses a tax liability and sends the taxpayer notice and demand for payment, and the taxpayer does not fully pay the debt within ten days.² However, an FTL is not sufficient to protect the government's interest in the taxpayer's assets against other creditors. To establish its interest in property with respect to other competing interests, the IRS must file a Notice of Federal Tax Lien (NFTL). NFTLs establish priority of the government's interest in a taxpayer's property with respect to certain creditors by putting the public, including third-party creditors, on notice of an existing statutory lien.³ In the past, the IRS generally filed an NFTL on all unresolved cases with unpaid balance of assessment of over \$10,000 before transferring the case from its Automated Collection System (ACS) to the collection queue.⁴ In 2011, the IRS began its Fresh Start initiative and suspended the routine filing of an NFTL on ACS unresolved cases before the cases were transferred to the collection queue, unless the unpaid balance of the assessments was over \$25,000.⁵ However, a 2014 report issued by the Treasury Inspector General for Tax Administration (TIGTA) recommended the IRS begin filing an NFTL on tax liabilities with unpaid assessments of over \$10,000.⁶

The National Taxpayer Advocate persuaded the IRS to conduct a study to determine if the NFTL or one of three alternative collection letters were more effective in reducing the balances owed by taxpayers. The IRS selected a random sample of about 13,000 taxpayers who generally owed between \$10,000 and \$25,000, dividing the sample taxpayers into five relatively equal groups: a group receiving an NFTL; three groups receiving one of three alternative collection letters requesting payment of the balance, emphasizing collection alternatives, and providing information where the taxpayer could receive additional assistance; and a control group. TAS was primarily responsible for creating the three alternative collection letters, while IRS Research Analysis and Applied Statistics (RAAS) performed most of the initial analyses and drafted the study report.⁷ The study, which will be published in an upcoming IRS Research Bulletin, determined that the sample group receiving the NFTL saw the greatest reduction in the balance owed for both the year immediately after treatment and the combined two-year period subsequent to treatment. Nevertheless, TAS believes there are some additional findings from the study data that should be highlighted to help inform IRS policy on when to file an NFTL. These items are summarized hereafter.

- About 93 percent of the dollars collected in the five groups are from taxpayers where an analysis of systemic data indicates the taxpayers' income exceed their allowable living expenses (ALE) or the taxpayer possesses an asset, which could possibly be used to satisfy all or part of the balance

2 Internal Revenue Code (IRC) §§ 6321 and 6322. IRC § 6201 authorizes the IRS to assess all taxes owed. IRC § 6303 provides that within 60 days of the assessment the IRS must provide notice and demand for payment to any taxpayer liable for an unpaid tax.

3 IRC §§ 6321, 6322, and 6323(a).

4 The collection queue is a holding area where unresolved cases go prior to being assigned to a revenue officer for in-person collection when resources become available. Collection releases cases from the collection queue based on a priority assigned to each case. Internal Revenue Manual (IRM) 1.4.50.8.3, *Queue* (Sept. 12, 2014). The IRS may not file a new Notice of Federal Tax Lien (NFTL) for an additional assessment when an NFTL has already been filed for the original assessment.

5 See National Taxpayer Advocate 2012 Annual Report to Congress 408, 403-425 (Most Serious Problem: *Although the IRS "Fresh Start" Initiative Has Reduced the Number of Lien Notices Filed, the IRS Has Failed to Determine Whether Its Lien Policies are Clearly Supported by Either Increased Taxpayer Compliance or Revenue*).

6 Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2014-30-052, *Delinquent Taxes May Not Be Collected Because Required Research Was Not Always Completed Prior to Closing Some Cases as Currently Not Collectible* (Aug. 25, 2014).

7 Taxpayer Advocate Service (TAS) Research reviewed the data and provided comments.

due. TAS believes the IRS can construct a filter to determine when the IRS should routinely file an NFTL.

- The alternative collection letters induce as many or even more taxpayers to make payments as the NFTL, even though the NFTL generally results in a greater reduction in the balance due. Because of this fact, the IRS needs to consider whether its messaging in other collection notices should be designed to elicit money from taxpayers likely unable to afford these payments.
- A finding of the soon-to-be published study is that the monthly alternative collection letter generated a greater reduction in the balance due during the second year after taxpayers received the letter than during the second year after the taxpayer received the NFTL.⁸ Overall, the monthly letter was the next most effective treatment.⁹ Monitoring the test cases over the next several years will help determine if the reduction in the balance due continues to decrease beyond two years after the IRS filed the NFTL, and if at the same time, the reduction in the balance due continues to increase for those receiving the monthly alternative collection letter.
- Taxpayers receiving the NFTL are less likely to have a Taxpayer Delinquent Account (TDA) than any of the three groups who received an alternative collection letter, although the difference is only statistically significant for the first alternative collection letter (Letter 5696C).¹⁰ Taxpayers in the group receiving the NFTL were more likely to have an unfiled return for the year after the treatment occurred, but the difference was not statistically significant. All of the treatment groups were less likely than the control group to have a Taxpayer Delinquent Investigation (TDI) for the next income tax return due after treatment; however, the difference to the control group was not statistically significant at the 95 percent confidence level.¹¹
- Taxpayers receiving the NFTL were actually more likely to report increased income during the year in which the NFTL was filed, indicating that the NFTL was not generally affecting a taxpayer's ability to earn future income. However, for the segment of taxpayers without the apparent wherewithal to satisfy their liability, income decreased in the year after treatment (the filing of an NFTL or issuance of an alternative collection letter) by at least ten percent in all groups. This data may suggest that a significant life event caused the taxpayer to be unable to resolve the liability.

TAS concurs with the study finding that an NFTL is generally the most effective at reducing the balance due, when compared to other alternative collection letters. However, TAS also believes that the IRS should consider a taxpayer's facts and circumstances before deciding to file an NFTL. Furthermore, the findings indicate that the IRS can use systemic data to determine with a high probability which taxpayers have the wherewithal to pay towards the liability, indicating the filing of an NFTL may be an effective course of action. Nevertheless, routinely filing the NFTL in only those cases where the taxpayer appears to have the ability to pay toward the liability (but has not done so) will reduce what the IRS pays in fees to file the NFTL, while reducing burden for those taxpayers without a current likely ability to pay towards their liability.

8 The amount of reduction in the balance due is a statistically significant in some, but not all, models.

9 The IRS only mailed the letter for nine months.

10 Taxpayer Delinquent Accounts (TDAs) are collection accounts that remain unresolved at the conclusion of the collection notice process and have been designated for additional collection activity (e.g., Automated Collection Systems (ACS) or the Collection Field function (CFF)). A taxpayer may have multiple TDAs (e.g., one for each delinquent tax period).

11 IRM 5.1.11.1.2, *Tax Delinquency Investigations* (TDI/Del Ret) (June 2, 2004). When a taxpayer's unfiled return reaches TDI status, the IRS has assigned the delinquent return for active research by Collection personnel to determine if the return has tax due and, if so, to secure the return from the taxpayer.

INTRODUCTION

When a taxpayer has a balance due shown on a return that is unpaid at the time of filing, the IRS sends the taxpayer a series of notices asking the taxpayer to resolve the balance due. If these notices are unsuccessful, most delinquencies are then assigned to the Automated Collection System (ACS) for additional collection actions, including the issuance of letters requesting the taxpayer call the IRS to resolve the balance due or enforced collection action such as the issuance of levy on the taxpayer's wages or bank account, if the amount cannot be paid in full.¹² However, if these actions do not satisfy the delinquent accounts, ACS will transfer the cases to a holding area (the collection queue) for eventual assignment to a revenue officer (RO). The IRS generally files an Notice of Federal Tax Lien (NFTL) on unpaid liabilities of a certain dollar amount before ACS transfers these cases to the collection queue.¹³ Once in the queue, the unpaid delinquencies will await assignment to a revenue officer to conduct in-person collection activities, since prior remote collection activities have been unsuccessful in resolving the liability. However, revenue officer resources are limited, and cases are assigned from the queue for in-person collection based on their relative priority to other cases in the collection queue.¹⁴ Therefore, taxpayer delinquencies may sit in the collection queue for an extended period of time before assignment to a revenue officer. Because of this delay, ACS often chooses to file an NFTL to establish its priority in any equity in assets which the taxpayer may have.¹⁵

An NFTL protects the government's interests in a taxpayer's property against subsequent purchasers, secured creditors, and junior lien holders when past due taxes are owed.¹⁶ A federal tax lien (FTL) arises when the IRS assesses a tax liability, sends the taxpayer notice and demand for payment, and the taxpayer does not fully pay the debt within ten days of the notice and demand.¹⁷ An FTL is effective as of the date of assessment and attaches to all of the taxpayer's property and rights to property, whether real or personal, including those acquired by the taxpayer after that date.¹⁸ This lien continues against the taxpayer's property until the liability either has been fully paid or is legally unenforceable.¹⁹ This statutory lien is sometimes called the "secret" lien, because third parties—and usually the taxpayer—have no knowledge of the existence of this lien or the underlying tax debt.²⁰ However, to put third parties on notice and establish the priority of the government's interest in a taxpayer's property against subsequent purchasers, secured creditors, and junior lien holders, the IRS must file an NFTL in the appropriate location, such as a county register of deeds.²¹

12 The ACS call center assigns incoming calls to contact representatives or tax examiners who work with taxpayers. ACS's telephone call center is designed to get taxpayers into the phone-based system as quickly as possible by sending them to the first available contact representative or tax examiner who can assist them, regardless of where the assistor is located geographically. See *Most Serious Problem: IRS's Automated Collection System (ACS): ACS Lacks a Taxpayer-Centered Approach, Resulting in a Challenging Taxpayer Experience and Generating Less Than Optimal Collection Outcomes for the IRS*, *supra*.

13 IRM 5.19.5.9.7, E9 - NFTL Determinations (Follow-Up to LT39) (May 2, 2016).

14 See *Most Serious Problem: Field Collection: The IRS Has Not Appropriately Staffed and Trained Its Field Collection Function to Minimize Taxpayer Burden and Ensure Taxpayer Rights Are Protected*, *supra*.

15 IRM 5.19.4.5.1, *Notice of Federal Tax Lien Filing Determinations* (Jan. 1, 2015); IRM 5.12.1.2, *Introduction to Liens* (July 11, 2018).

16 IRC §§ 6321 and 6323.

17 IRC §§ 6321 and 6322. IRC § 6201 authorizes the IRS to assess all taxes owed. IRC § 6303 provides that within 60 days of the assessment the IRS must provide notice and demand for payment to any taxpayer liable for an unpaid tax.

18 IRC § 6321; IRM 5.12.2.2, *Taxpayer Contact* (Nov. 9, 2015).

19 IRC § 6322.

20 IRC § 6321.

21 IRC § 6323(f); Treas. Reg. § 301.6323(f)-1; IRM 5.12.2.8 (Oct. 30, 2009); IRM 5.12.1.2, *Introduction to Liens* (July 11, 2018).

Both the IRS and the Taxpayer Advocate Service have conducted studies regarding the effectiveness of the NFTL. These studies focused on the dollars paid by taxpayers who became subject to an NFTL, as well as on their subsequent filing and payment compliance and the taxpayer's ability to earn future income. However, prior IRS randomized field studies of the effect of the NFTL were limited to a relatively small segment of the taxpayer population.²² The prior TAS study used a propensity score matching methodology to retroactively determine the likelihood of the filing of an NFTL; however, other factors not possible to control for in the propensity matching may have influenced whether an NFTL was actually filed.²³

The recent study, which is the subject of this report, has the advantage of allowing for a randomized field experiment representing a broad spectrum of taxpayers.²⁴ Furthermore, the taxpayers were randomly assigned to a group receiving the NFTL, a control group (not receiving the NFTL or an alternative collection letter), or one of three groups receiving an alternative collection letter (but where an NFTL is not filed). Therefore, this study covers a broad range of taxpayers, and randomly assigns taxpayers to one of the five groups (four treatment groups and a control group) instead of assigning to an NFTL or non-NFTL group after the fact.

Specifically, this study focused on individual taxpayers transferred from ACS to the collection queue and owing between \$10,000 and \$25,000 of delinquent taxes. As part of its Fresh Start initiative, the IRS suspended filing an NFTL in instances where the individual taxpayer owed not more than \$25,000, prior to being transferred to the collection queue.²⁵ About 13,000 individual taxpayers were randomly assigned to five groups, one group receiving an NFTL, three groups each receiving a letter advising of the balance due, as well as providing different collection alternatives (but the IRS did not file an NFTL),²⁶ and a control group where the taxpayer did not receive an NFTL or an alternative letter.

While RAAS and TAS, in conjunction with the IRS Small Business and Self-Employed (SB/SE) function, conducted the study jointly, RAAS conducted most of the initial research of how effective each of the four treatments were in comparison to the control group. RAAS explored the change in the balance owed by each of the five groups. The change in balance owed reflects any taxpayer payments toward the liability in addition to any abatements of tax, penalty, or interest, or the accrual of new liabilities. RAAS presented this study at the 2018 IRS/Tax Policy Center Research Conference and their final report will be published in an upcoming Statistics of Income Research Bulletin. The study found that the NFTL was effective in reducing the balance owed when compared to the control group. While noting some effect in reducing the module balance compared to the control group, the study also found

22 For more information, see Ishani Roy, Brett Collins, Alex Turk, Alan Plumley, Terry Ashley, and Jeff Wilson, Internal Revenue Service, *Federal Tax Liens and Letters: Effectiveness of the Notice of Federal Tax Liens and Alternative IRS Letters on Individual Tax Debt Resolution* (This study will appear in an upcoming IRS Research Bulletin).

23 National Taxpayer Advocate 2011 Annual Report to Congress vol. 2, 91-111 (Research Study: *Estimating the Impact of Liens on Taxpayer Compliance Behavior and Income*).

24 Ishani Roy, Brett Collins, Alex Turk, Alan Plumley, Terry Ashley, and Jeff Wilson, IRS, *Federal Tax Liens and Letters: Effectiveness of the Notice of Federal Tax Liens and Alternative IRS Letters on Individual Tax Debt Resolution* (This study will appear in an upcoming IRS Research Bulletin).

25 National Taxpayer Advocate 2015 Annual Report to Congress 112-122 (Most Serious Problem: *Notices of Federal Tax Lien (NFTL): The IRS Files Most NFTLs Based on Arbitrary Dollar Thresholds Rather Than on a Thorough Analysis of a Taxpayer's Financial Circumstances and the Impact on Future Compliance and Overall Revenue Collection*). At the time of the initiative, the IRS made a policy decision to reprogram ACS to file Notices of Federal Tax Lien (NFTLs) only where the unpaid balance of assessment is over \$25,000. However, the IRS did not update the IRM or issue interim guidance reflecting this change. The IRS does not routinely file an NFTL on cases transferred to the queue where the taxpayer owes less than \$10,000.

26 One of the three groups received a collection alternative letter for nine consecutive months as opposed to the other two groups which only received a single collection alternative letter.

that the NFTL was more effective at reducing the balance owed by taxpayers than the other collection alternative letters. We do not dispute the findings of the study; however, we are publishing these supplemental findings of this research study to highlight the following:²⁷

- It is important to review a taxpayer's income and assets in determining the amount actually collectible.
- Collection treatments often induce taxpayers to make payments, even though they likely cannot afford these payments.
- The recipients of the monthly collection letter had a greater reduction in their balance owed in the second year after the treatment than recipients of the NFTL.
- Taxpayers receiving an NFTL were somewhat less likely to have a new TDA, compared to taxpayers who received the alternative collection letter, but somewhat more likely to have a subsequent TDI.
- As a group, taxpayers receiving the NFTL did report a reduction in income for the year during which the NFTL was filed, however taxpayers with incomes not in excess of their allowable living expenses (ALE) (and also not having the presence of a systemically detected asset) were likely to report a reduction in income regardless of whether the IRS filed an NFTL against the taxpayer or issued an alternative collection letter.

These additional findings provide additional information regarding when the IRS should routinely file an NFTL.

²⁷ Furthermore, the National Taxpayer Advocate is concerned that the initial study focused on a narrow definition of "effectiveness," one that does not comport with several taxpayer rights, namely the *right to privacy* and the *right to a fair and just tax system*.

BACKGROUND

The IRS has filed NFTLs at varying rates over the past several years. Figure 6.1 depicts the total NFTLs filed by the IRS during the past ten years.²⁸ This figure also separately shows only liens filed by ACS over the past ten years, since this study focuses on liens filed by ACS.

FIGURE 6.1

Total and ACS NFTLs Filed by Fiscal Year

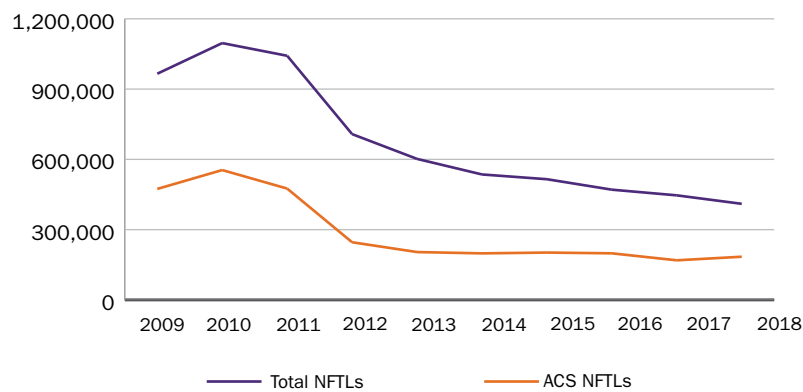
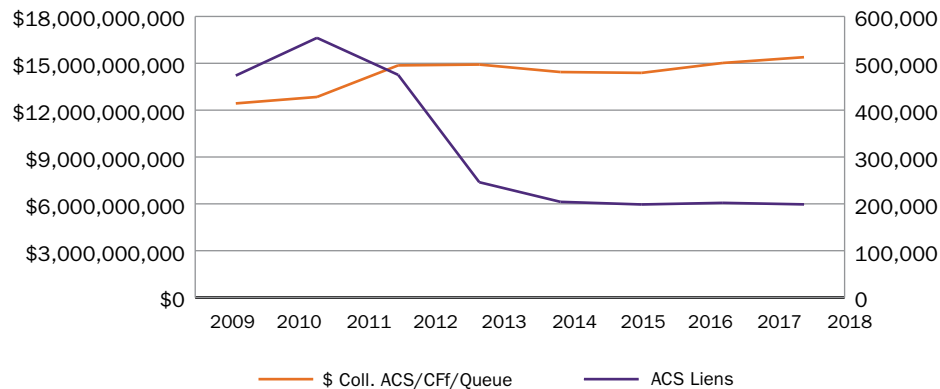


Figure 6.2 compares ACS liens filed to revenue collected by the IRS. *The graph does not show a correlation between liens filed and total revenue.* We include both the dollars collected directly by ACS, the Collection Field function (CFf), and the queue as well as the dollars collected from taxpayers in ACS, CFf, or the collection queue through installment agreements, since the filing of an NFTL by ACS may affect the dollars collected through each of these avenues.

²⁸ Fiscal year (FY) ending Collection Activity Reports 5000-2 and 5000-6 for FYs 2009 through 2018. Amounts collected through refund offsets are not included because the IRS would collect these amounts regardless of any assignment of a balance due case to a Collection function.

FIGURE 6.2²⁹

**Number of Liens Filed by ACS vs. Certain Categories of Dollars Collected
(Inflation Adjusted to 2018 Dollars)**



As previously discussed, the IRS files an NFTL to protect its interest in taxpayer's assets, so that the IRS may satisfy as much of the taxpayer's delinquencies from the eventual liquidation of these assets.³⁰ As part of its Fresh Start initiative, the ACS no longer filed NFTLs on liabilities between \$10,000 and \$25,000 prior to transferring these liabilities to the queue.³¹ However, this change in procedure was never officially adopted or incorporated into the IRM. As a result, a 2014 Treasury Inspector General for Tax Administration (TIGTA) audit recommended the IRS again file NFTLs on taxpayers with liabilities in this dollar range before transferring the liabilities to the collection queue.³² When notified of this potential change in procedure, the National Taxpayer Advocate persuaded SB/SE to test the effectiveness of the NFTL filing with the effectiveness of new collection alternative letters. SB/SE agreed to this proposal and RAAS agreed to participate in the design of this test and the subsequent analysis of the study results.

TAS worked to design two alternative letters to be sent to two different groups of taxpayers, instead of these taxpayers receiving an NFTL. Both letters informed the taxpayer of available collection alternatives. Both letters emphasized the effect on the unresolved liability of the accrual of penalties and interest; however, one letter focused on available collection alternatives, while the other letter emphasized the availability of the Taxpayer Advocate Service and the potential to obtain assistance from a Low Income Taxpayer Clinic. The second collection alternative letter was also sent monthly (for nine consecutive months) to a separate group of study taxpayers. A limitation to the letters was that they had

29 Dollars collected from balance due accounts assigned to ACS, Collection Field function (CFf) or the collection queue and installment agreement dollars collected from ACS, the collection queue or the CFf. FY 2009–2018 Collection Activity Reports 5000-2 and 5000-6.

30 IRC § 6323(f); Treas. Reg. § 301.6323(f)-1; IRM 5.12.2.3, *Notice of Federal Tax Lien Filing Determination (Pre-filing Considerations)* (Oct. 14, 2013).

31 IRS, IR-2011-20, *IRS Announces New Effort to Help Struggling Taxpayers Get a Fresh Start; Major Changes Made to Lien Process* (Feb. 24, 2011).

32 TIGTA, Ref. No. 2014-30-080, *Declining Resources Have Contributed to Unfavorable Trends in Several Key Automated Collection System Business Results* (Sept. 18, 2014).

to be computer-generated letters capable of being sent by ACS. Therefore, the letters were not user-friendly or aesthetically pleasing and potentially less likely to be opened and read by the taxpayer.³³

The design of the alternative letters and the modification of routine IRS procedures took about 18 months to accomplish. By Spring 2016, ACS was able to randomly select about 2,500 taxpayers into each of the five sample groups. Overall, ACS assigned a total of over 13,000 taxpayers to the five groups. The change in these taxpayers' module balance was measured for the one and two-year period subsequent to the treatment (issuance of an NFTL or alternative letter).

OBJECTIVES

This study contains five specific objectives:

1. Compare the dollars collected by taxpayers with incomes exceeding computed IRS ALE standards (or the presence of systemically detected assets) to taxpayers with incomes not in excess of their ALEs (and no systemically detected assets).³⁴
2. Determine the prevalence of taxpayers below IRS ALE standards (and without known assets) making payments in response to one of the treatments.
3. Highlight the dollars collected in each group during the second year after the treatment was applied.
4. Determine the payment and filing compliance rates for each group subsequent to the treatment.
5. Determine the income of taxpayers in each group subsequent to the treatment.

METHODOLOGY

This report builds on the previous RAAS and TAS study, which compared the effectiveness of filing an NFTL on one sample group of taxpayers to three other groups of similar taxpayers who received an alternative collection letter and to a control group who did not receive an NFTL or alternative collection letter. For the first two objectives, we computed the ALE for taxpayers in each group. For each of the taxpayers in the groups, we used the maximum of total positive income (TPI) from their tax year (TY) 2016 return or the sum of income reported by third-parties on the following information return documents: Form 1099-INT, *Interest Income*; Form 1099-DIV, *Dividends and Distributions*; Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*; Form 1099-B, *Proceeds From Broker and Barter Exchange Transactions*; Form 1099-MISC, *Miscellaneous Income*; Form SSA-1099, *Social Security Benefit Statement*; and Form W-2, *Wage and Tax Statement*.³⁵ The national standard ALEs were determined from the total exemptions claimed on TY 2016 return.³⁶ If the total exemption amounts on the respective tax return were zero, we allowed a national standard for a household size of one. Similarly, if the indicated tax return is unfiled, we determined the national standard from a household size of one. We used the ZIP code of the taxpayer's TY 2016 return to determine the housing and utility allowance for the taxpayer. If the taxpayer had

33 See Literature Review: *Improving Notices Using Psychological, Cognitive, and Behavioral Science Insights*, *infra*.

34 We explain the calculations to determine a taxpayer's Allowable Living Expense (ALE) in the Methodology section of this report.

35 Total Positive Income (TPI) is calculated by summing the positive values from the following income fields from a taxpayer's tax year (TY) 2014 individual income tax return: wages; interest; dividends; distribution from partnerships, small business corporations, estates, or trusts; Schedule C net profits; Schedule F net profits; and other income such as Schedule D profits and capital gains distributions. Losses reported for any of these values are treated as zero.

36 IRM 5.15.1.8, *Allowable Expense Overview* (Aug. 29, 2018).

not filed a tax return for TY 2016, we used the national minimum housing and utility allowance for a household size of one. If the taxpayer could be claimed as a dependent by someone else, we did not give the taxpayer a housing and utility allowance. We also used the ZIP code from the taxpayer's TY 2016 return to map to the appropriate Metropolitan Statistical Area (MSA) or region to determine transportation vehicle operating expenses.³⁷ If the return was not filed, we used the lowest national amount of vehicle operating expense for any region. The taxpayer entity was allowed one operating expense if a primary exemption was claimed and two operating expenses if the return also reported an exemption for the spouse. We determined health care expenses based on the age of the taxpayer as reported on the applicable tax return. If the taxpayer did not file a tax return for the indicated tax year, we considered the individual to be under the age of 65. Only taxpayer entities who claimed both a primary and a secondary exemption were allowed two expenses for out-of-pocket health care (amount depending on the age of each individual). Finally, we determined the taxpayer had asset(s) if the taxpayers received a Form 1098 reporting mortgage interest paid or if they had a Schedule A reporting mortgage interest paid or property tax paid or if the taxpayer received a third-party information document reporting total interest, dividends, or golden parachute payments of \$100 or the sale of stock of at least \$1,000.

For the third objective, we merely highlight findings from RAAS's soon to be published report on this study. For the fourth objective, we examine the taxpayer's filing compliance for TYs 2016 and 2017. To determine the payment and filing status of the taxpayers in each group, TAS Research obtained the collection status codes of the modules for returns due for TYs 2016 and 2017. TAS Research also detected if any payment delinquency was present and if a payment delinquency reached Taxpayer Delinquent Account (TDA) status.³⁸ For the fifth objective, we determined each taxpayer's total income reported on their individual income tax return due after the initial treatment during 2016.

³⁷ IRM 5.15.1.8, *Allowable Expense Overview* (Aug. 29, 2018).

³⁸ Taxpayer Delinquent Accounts (TDAs) are collection accounts that remain unresolved at the end of the collection notice process and have been designated for additional collection activity (e.g., ACS or the Cff). A taxpayer may have multiple TDAs (e.g., one for each delinquent tax period).

FINDINGS

Objective 1: Comparing Dollars Collected by Whether the Taxpayer Has an Apparent Ability to Pay

TAS Research analyzed the dollars collected in the first year and in the second year for taxpayers in each of the five groups by whether or not either the taxpayer's total positive income exceeded his or her calculated ALE standards or whether we could systemically detect the presence of an asset. Figure 6.3 shows that about three quarters of the taxpayers in the any of the five groups had total positive income exceeding their ALE or had the presence of a systemically detected asset. However, taxpayers with income in excess of the ALE or with a systemically detected asset paid about 93 percent of the dollars collected in both first year and second year after treatment.

FIGURE 6.3, Dollars Collected During First and Second Year for Taxpayers by Whether They Had Income Exceeding ALE or a Systematically Detected Asset³⁹

	First Year Payments				Second Year Payments			
	Count	Percent	Payments	Percent of Total Payments	Count	Percent	Payments	Percent of Total Payments
Taxpayer's TPI Not Exceeding ALE/No Systemically Detected Assets	3,398	25.7%	\$3,054,518	7.0%	3,398	25.7%	\$6,262,029	7.3%
Taxpayer's TPI Exceeding ALE or a Systemically Detected Asset	9,803	74.3%	\$40,808,206	93.0%	9,803	74.3%	\$80,083,421	92.7%
Totals	13,201	100.0%	\$43,862,725	100.0%	13,201	100.0%	\$86,345,449	100.0%

For at least the first two years, the data suggest that the IRS would lose little revenue by only filing the NFTL on those taxpayers where there is an indication of either an asset or income exceeding their ALE, which could be used to pay down the liability. While the IRS may be concerned that it cannot accurately determine income in excess of ALE or the presence of an asset through systemic means, the data show that this method will detect those taxpayers who provide nearly all of the revenue. At the same time, the IRS could avoid costs associated with less productive liens while also not burdening nearly a quarter of these taxpayers with a likely unproductive NFTL.

³⁹ IRS, Compliance Data Warehouse (CDW) Individual Master File subsequent payments (Transaction Code 670). The margin of the proportion of taxpayers or payments does not exceed plus or minus 1.5 percent at the 95 percent confidence level.

Objective 2: Determine the Prevalence of Taxpayers Making Payments

An analysis of each of the five groups shows that the NFTL and all of the alternative collection letters induce taxpayers with incomes not exceeding their maximum calculated ALE to make a payment during the first year after treatment.⁴⁰ Figure 6.4 shows that each of the treatments (NFTL and letter groups one through three) are more likely to generate a payment from taxpayers with incomes at or below their ALEs when compared to the control group.⁴¹

FIGURE 6.4, Taxpayers with Maximum Calculated ALE⁴² Greater Than or Equal to Income and Whether These Taxpayers Made a Payment During the First Year After Treatment⁴³

Group Description	Sample Size	Number and Percent Who Paid		Number and Percent of Taxpayers At or Below ALE and No Known Assets		Number and Percent of Taxpayers At or Below ALE and No Known Assets Who Paid	
		Number	Percent	Number	Percent	Number	Percent
NFTL	2,996	1,522	51.00%	731	24.40%	200	27.36%
Letter 1 (5696C)	2,564	1,214	47.00%	585	22.82%	149	25.47%
Letter 2 (5701C)	2,571	1,233	48.00%	598	23.26%	175	29.26%
Letter 2 monthly (5702C)	2,583	1,288	50.00%	581	22.49%	167	28.74%
Control	2,487	1,019	41.00%	635	25.53%	140	22.05%

In fact, two of the letter groups are as likely or slightly more likely than the NFTL group to generate a payment from a taxpayer unlikely to be able to afford the payment. This issue is also relevant in light of recent research the IRS has conducted regarding the redesign of various collection notices to generate more revenue and to avert personal contact between the IRS and the taxpayer.⁴⁴

40 IRM 5.15.1.8 (Aug. 29, 2018). For local standards such as housing and utility expenses, the IRS allows the local standard or the amount actually paid monthly, whichever is less.

41 When considering all study taxpayers, the percentage of payments made between the two groups depicted in Figure 6.3 is significant at the 95 percent confidence level.

42 IRM 5.15.1.8(5), *Allowable Expense Overview* (Aug. 29, 2018). A taxpayer who claims an expense under the local standards is allowed the lesser of the amount spent or the local standard. Our analysis allocated the maximum amount of the local standard for the taxpayer's circumstance.

43 IRS, CDW Individual Returns Transaction File, Individual Transaction File, and Information Returns Master File (Oct. 2018). Each of the treatment groups was more likely to have a payment compared to the control group at the 95 percent confidence interval. At the 95 percent confidence level, no statistical difference existed between the five groups in the number of taxpayers with income at or below their ALEs and no systemically detected asset. At the 95 percent confidence level, only taxpayers receiving the one-time Letter 5702C were more likely than the control group to have taxpayers with incomes at or below their ALEs and no systemically detected asset who submitted a payment.

44 The IRS has completed two studies testing potential redesigns to the ACS Letter 16, which is another notice sent to elicit payment from a taxpayer and the first notice (CP-14) issued to a taxpayer who has accrued a delinquent balance. Both studies show that redesigned notices can effectively influence taxpayer behavior. IRS, *ACS LT 16 Notice Redesign Test Pilot Report* (Sept. 27, 2017); IRS, *CP14 Notice Redesign Test Report* (Apr. 18, 2018). However, a focus of both studies is to reduce person-to-person contact with the IRS in addition to generating more revenue and case resolutions. These studies did not measure whether the reduction of person-to-person contact increased the risk of collecting revenue from taxpayers who actually could not afford to pay. Moreover, the studies drove taxpayers to streamlined installment agreements—rather than other, possibly more suitable, collection alternatives. See National Taxpayer Advocate 2016 Annual Report to Congress vol. 2 53-66 (Research Study: *The Importance of Financial Analysis in Installment Agreements (IAs) in Minimizing Defaults and Preventing Future Payment Noncompliance*).

Objective 3: Dollars Collected During the Second Year of Treatment

The RAAS analysis clearly shows that the NFTL generated a greater reduction in the amount owed by the taxpayer in the first year and for the total of the first and second years after the treatment (either filing of an NFTL or issuance of an alternative collection letter). Figure 6.5, reprinted from RAAS's study demonstrates that the NFTL is responsible for greater marginal effects (*i.e.*, the increased likelihood of a taxpayer reducing the amount owed when considering only the type of treatment) compared to other factors likely influencing the change in the balance owed by the taxpayer. However, when comparing the reduction in amount owed by the taxpayer during the second year after treatment, the monthly alternative collection letter actually generated greater marginal effects than the NFTL (see italicized cells below).⁴⁵

FIGURE 6.5, Marginal Treatment Effects for Ordinal and Multinomial Models⁴⁶

Model	Treatment (vs. R=0)	Marginal Effect Ordinal Models			Marginal Effect Multinomial Models		
		R=2	R=1	R=1 or R=2	R=2	R=1	R=1 or R=2
Year 1 ($b_1 - b_0$)	NFTL	0.034	0.084	0.118	0.048	0.063	0.111
	Letter 1 (5696C)	0.011	0.033	0.044	0.014	0.029	0.043
	Letter 2 (5701C)	0.010	0.032	0.043	0.012	0.030	0.042
	Letter 2 Monthly (5702C)	0.014	0.040	0.054	0.011	0.045	0.056
2 Years ($b_2 - b_0$) R_2^*	NFTL	0.045	0.061	0.106	0.060	0.038	0.098
	Letter 1 (5696C)	0.019	0.032	0.052	0.019	0.031	0.051
	Letter 2 (5701C)	0.017	0.029	0.045	0.026	0.014	0.040
	Letter 2 Monthly (5702C)	0.027	0.041	0.068	0.026	0.043	0.069
Year 2 ($b_2 - b_1$)	NFTL	0.011	0.024	0.035	0.025	0.004	0.029
	Letter 1 (5696C)	0.009	0.029	0.037	0.011	0.024	0.035
	Letter 2 (5701C)	0.006	0.021	0.027	0.015	0.009	0.024
	Letter 2 Monthly (5702C)	0.015	0.043	0.057	0.021	0.036	0.057

45 The larger impact attributed to the monthly collection alternative letter was not statistically in every model. The marginal effects are the odds that one of the independent variables (in this case the type of treatment, an NFTL or one of the three collection alternative letters) will decrease the balance owed by the taxpayer.

46 This table is a reproduction of a portion of Table 7 in the RAAS study: Ishani Roy, Brett Collins, Alex Turk, Alan Plumley, Terry Ashley, and Jeff Wilson, Internal Revenue Service, *Federal Tax Liens and Letters: Effectiveness of the Notice of Federal Tax Liens and Alternative IRS Letters on Individual Tax Debt Resolution* (This study will appear in an upcoming IRS Research Bulletin).

Objective 4: Payment and Filing Compliance.

We examined the payment and filing compliance of taxpayers in each of the study groups for the next individual tax returns due after the IRS applied the treatment (NFTL or alternative collection letter). Figure 6.6 displays this data.

FIGURE 6.6, Payment and Filing Compliance for the Next Individual Income Tax Return Due After Each Type of Treatment⁴⁷

Group	Group Size (taxpayers)	Taxpayers with Balance Due	Percent with Balance Due	Taxpayers with TDA	Percent with TDA	Taxpayers with Unfiled Return	Percent with Unfiled Return	Taxpayers with TDI	Percent with TDI
NFTL	2,996	663	*22.13%	338	11.28%	217	7.24%	76	2.54%
Letter 1 (5696C)	2,564	633	*24.69%	359	14.00%	178	6.94%	68	2.65%
Letter 2 (5701C)	2,571	604	23.49%	315	12.25%	178	6.92%	61	2.37%
Letter 2 monthly (5702C)	2,583	565	21.87%	312	12.08%	182	7.05%	68	2.63%
Control	2,487	539	21.67%	293	11.78%	186	7.48%	86	3.46%

Although a large difference in payment compliance does not exist, this table shows that taxpayers receiving the NFTL are less likely to have a TDA than any of the three groups who received an alternative collection letter, although the difference is only statistically significant for the first alternative collection letter (Letter 5696C).⁴⁸ However, taxpayers in the group receiving the NFTL were more likely to have an unfiled return for the year after the treatment occurred, but the difference was not statistically significant. All of the treatment groups were less likely to have a TDI for the next income tax return due after treatment, however the difference to the control group was not statistically significant at the 95 percent confidence level.

We also looked at the payment and filing compliance of only those taxpayers where we did not detect the presence of assets or income in excess of their calculated ALE. Figure 6.7 contains this information.

⁴⁷ IRS, CDW IMF (Oct. 2018).

⁴⁸ The difference between the group receiving the NFTL and Letter 5696C was statistically significant at the 95 percent confidence level (denoted by an asterisk).

FIGURE 6.7, Payment and Filing Compliance for Next Individual Income Tax Return Due After Each Type of Treatment for Taxpayers Who Did Not Have Income More than ALE or a Systemically Detected Asset⁴⁹

Group	Group Size	Count with Balance Due	Percent with Balance Due	Count with TDA	Percent with TDA	Count with Unfiled Return	Percent with Unfiled Return	Count with TDI	Percent with TDI
NFTL	731	68	9.30%	36	4.92%	27	3.69%	6	0.82%
Letter 1 (5696C)	585	62	10.60%	37	6.32%	15	2.56%	2	0.34%
Letter 2 (5701C)	598	71	11.87%	33	5.52%	23	3.85%	0	0.00%
Letter 2 monthly (5702C)	581	79	13.60%	40	6.88%	15	2.58%	3	0.52%
Control	635	74	11.65%	44	6.93%	18	2.83%	5	0.79%

When considering only the study taxpayers whose income did not exceed their ALE, the group of taxpayers receiving the NFTL are somewhat less likely to have a balance due or TDA, compared to the groups receiving an alternative collection letter. However, we again see the group with the NFTL as being more likely to have an unfiled return or TDI than the groups receiving the alternative collection letter in lieu of the NFTL; however, the cell counts are too small to say that a meaningful difference exists. The IRS was unable to include cases with both TDAs and TDIs in the groups receiving alternate collection letters; however, the IRS was able to include taxpayers with both TDAs and TDIs in the NFTL and control groups. Taxpayers with TDIs may be more likely to have unfiled returns in the future, which may explain these results.

Objective 5: Subsequent Income

We also examined whether the filing of the NFTL seemed to hinder a taxpayer's ability to earn future income. Figure 6.8 shows that the median total income increased from TY 2015 to TY 2016 when considering taxpayers who filed a return for both tax years for all groups except for those who received a monthly alternative collection letter.

49 IRS, CDW IMF (Oct. 2018).

FIGURE 6.8, Effect of Collection Treatment on Income in Subsequent Years for All Sample Taxpayers⁵⁰

Group	Tax Year 2015 Total Income	Tax Year 2016 Total Income	Percent Change
NFTL	\$54,992	\$59,104	7.5%
Letter 1 (5696C)	\$59,319	\$60,856	2.6%
Letter 2 (5701C)	\$57,160	\$57,538	0.7%
Letter 2 monthly (5702C)	\$63,208	\$59,453	-5.9%
Control	\$54,240	\$57,400	5.8%

We see similar trends for total positive income and adjusted gross income. When considering taxpayers who also filed in TY 2017, the total income increases in all five groups. We also looked at the change in median income for only those taxpayers where we could not systemically detect assets or detect income in excess of their ALE. Figure 6.9 depicts this data.

FIGURE 6.9, Effect of Collection Treatment on Income in Subsequent Year for Taxpayers with Income Not Greater Than ALE or the Presence of a Systemically Detected Asset⁵¹

Group	Tax Year 2015 Total Income	Tax Year 2016 Total Income	Percent Change
NFTL	\$19,566	\$15,964	-18.4%
Letter 1 (5696C)	\$17,881	\$15,381	-14.0%
Letter 2 (5701C)	\$18,213	\$16,039	-11.9%
Letter 2 monthly (5702C)	\$20,422	\$16,709	-18.2%
Control	\$18,211	\$15,226	-16.4%

When looking at these taxpayers, the total income decreased by more than ten percent in all groups, with taxpayers receiving the NFTL exhibiting the largest decrease at 18.4 percent; although the total income of taxpayers who received the monthly letter decreased by a not statistically different 18.2 percent. The fact that the total income decreased for all of these taxpayers suggests that some life event, such as the loss of a job, prevented these taxpayer's from resolving their balance(s) due and leading to the collection treatment. However, by TY 2017, income had started to rise in all five groups.

50 The income data is based on only taxpayers who filed a TY 2016 individual income tax return, who also filed a TY 2015 individual income tax returns. IRS, CDW Individual Returns Transaction File (Nov. 2018).

51 IRS, CDW IRTF (Oct. 2018). The income data is based on only taxpayers who filed a TY 2016 individual income tax return, who also filed a Tax Year 2015 individual income tax returns. IRS, CDW Individual Returns Transaction File (Nov. 2018).

CONCLUSIONS

Based on the above analysis and findings, TAS makes the following conclusions:

- Taxpayers with income exceeding their calculated ALE or who have systemically detected assets account for about 93 percent of the payments made over two years regardless of the treatment (*i.e.*, NFTL or alternative collection letter).
- Alternative collection letters are about as likely as an NFTL to induce taxpayers with income not exceeding their ALE to pay on their balance due; although the RAAS analysis indicates that taxpayers with NFTLs are more likely to reduce the amount of their unpaid balance.
- When considering the reduction in module balance during the second year after the treatment, taxpayers receiving the monthly alternative collection letter were more likely to reduce the amount of their balance due than taxpayers receiving the NFTL.
- Taxpayers who received an NFTL were less likely to have a subsequent balance due or TDA, but somewhat more likely to have a return delinquency.
- Considering taxpayers who filed both a TY 2015 and a TY 2016 return, taxpayers receiving an NFTL saw an increase in median income on the tax return due after the IRS filed the NFTL. We also observed this same phenomenon with most of the other sample groups including the control group.
- When considering those taxpayers without either systemically detected assets or income exceeding their calculated ALE, taxpayers in all groups saw a decrease in total income in the year following the treatment.

RECOMMENDATIONS

The National Taxpayer Advocate recommends that the IRS take the following actions:

- Use systemic data to estimate ALE and detect the presence of assets. TAS recommends that ACS not file an NFTL prior to contact with the taxpayer on those whose liabilities are between \$10,000 and \$25,000 when there is no indication of an asset and the taxpayer's income does not exceed his ALE.
- Consider sending letters to taxpayers with income not exceeding their ALE designed to elicit a contact from these taxpayers rather than trying to elicit a payment.
- Conduct further study to determine the effect of an NFTL on filing subsequent returns.

APPENDIX 1: Letter 5696C

<p>5696C -- Collection Alternatives Pilot II (IMF)</p>	<p>Page 1 of 6</p>									
<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; vertical-align: top;"> <p>Department of the Treasury</p> </td> <td style="width: 20%; vertical-align: top;"> <p> Transmittal Number </p> <p> 16-04 </p> </td> <td style="width: 40%; vertical-align: top;"> <p>Date of Issue 04/04/2016</p> </td> </tr> <tr> <td colspan="3" style="border-top: 1px dashed black; padding-top: 5px;"> <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; vertical-align: top;"> <p>IDRS CORRESPONDEX</p> </td> <td style="width: 20%; vertical-align: top;"> <p> Originating Office </p> <p> SBSE:CO:HC:QTS:J:CT </p> </td> <td style="width: 40%; vertical-align: top;"> <p>Form Number 5696C</p> </td> </tr> </table> </td> </tr> </table>		<p>Department of the Treasury</p>	<p> Transmittal Number </p> <p> 16-04 </p>	<p>Date of Issue 04/04/2016</p>	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; vertical-align: top;"> <p>IDRS CORRESPONDEX</p> </td> <td style="width: 20%; vertical-align: top;"> <p> Originating Office </p> <p> SBSE:CO:HC:QTS:J:CT </p> </td> <td style="width: 40%; vertical-align: top;"> <p>Form Number 5696C</p> </td> </tr> </table>			<p>IDRS CORRESPONDEX</p>	<p> Originating Office </p> <p> SBSE:CO:HC:QTS:J:CT </p>	<p>Form Number 5696C</p>
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<p>Internal Revenue Service</p>										
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OMB Clearance Number	Expires	IMF								
-										

Letters Considered in Revision:

A Social security number: [01 12T]

Dear [-30V]

Our records show you have unpaid taxes for the tax periods listed below.

Form	Tax year	Tax	Penalty	Interest
B [02 9V]	[03 13P]	\$ [04 12\$]	\$ [05 10\$]	\$ [06 10\$]
B [07 9V]	[08 13P]	[09 12\$]	[10 10\$]	[11 10\$]
C [12 9V]	[13 13P]	\$ [14 12\$]	\$ [15 10\$]	\$ [16 10\$]
D [17 9V]	[18 13P]	[19 12\$]	[20 10\$]	[21 10\$]
E [22 9V]	[23 13P]	\$ [24 12\$]	\$ [25 10\$]	\$ [26 10\$]
F [27 9V]	[28 13P]	\$ [29 12\$]	\$ [30 10\$]	\$ [31 10\$]

Total due \$[32 12\$]

Your current total amount due is \$[33 12\$], which includes penalty and interest charges through [34 13D]. If we don't receive full payment by this date, we'll continue to charge interest and any applicable penalties until you pay the total balance due. Pay as much as you can now using one of the payment options described below.

If you already paid your balance in full within the past 14 days or made payment arrangements, you can disregard this letter.

PAYMENT OPTIONS

PAY NOW ELECTRONICALLY

We offer free payment options to securely pay your tax bill directly from your checking or savings account. When you pay online or from your mobile device, you can:

- Receive instant confirmation of your payment
- Schedule payments in advance
- Modify a payment before the due date

| <http://serp.enterprise.irs.gov/databases/forms-ltrs-pubs.dr/crxltrs.dr/c.dr/5696c.htm> | |
| 12/17/2018 | |

You can also pay by debit or credit card for a small fee. To see all of our payment options, visit www.irs.gov/payments.

PAYMENT PLANS

If you can't pay the full amount you owe, pay as much as you can now and make arrangements to pay your remaining balance. Visit www.irs.gov/paymentplan for more information on installment agreements and online payment agreements. You can also call us at [35 23V] to discuss your options.

OFFER IN COMPROMISE

An offer in compromise allows you to settle your tax debt for less than the full amount you owe. If we accept your offer, you can pay with either a lump sum cash payment plan or periodic payment plan. To see if you qualify, use the Offer in Compromise Pre-Qualifier tool on our website. For more information, visit www.irs.gov/offers.

ACCOUNT BALANCE AND PAYMENT HISTORY

For information on how to obtain your current account balance or payment history, go to www.irs.gov/balancedue.

If you mail a payment, make your check or money order payable to the United States Treasury and provide on each payment:

- Name
- Address
- Taxpayer identification number
- Daytime telephone number
- Tax year
- Tax form

You can mail the payment to:

Internal Revenue Service
[36 50V]
[37 50V]

PAST DUE TAX RETURNS

To qualify for an online payment agreement, installment agreement, or offer in compromise, you must file all tax returns; however, you don't need to file all tax returns for us to consider placing your account in CNC status. If you're not required to file because your income is below the filing requirement, let us know, and we can close the filing requirement for that tax year. If your income is above the filing requirement, you must file the returns. If you need assistance filing your taxes, visit www.irs.gov/vita to see if you qualify for free tax return preparation by the Volunteer Income Tax Assistance program.

CURRENTLY NOT COLLECTIBLE

If paying your tax liability will cause you economic hardship so that you can't pay your reasonable basic living expenses, you may request that we place your account in currently not collectible (CNC) status. You can call us at [38 23V] to make this request.

You'll need to gather complete financial information, including a list of your monthly expenses, before you call. If we agree that you can't pay, we can suspend collection action and classify your account as CNC. CNC does not mean the debt goes away. Applicable penalties and interest will still accumulate, and we may collect against you in the future if your financial situation improves.

IF YOU DON'T PAY OR MAKE PAYMENT ARRANGEMENTS

If you don't pay your tax bill or contact us to arrange payments, we will take action to collect what you owe. This can include:

- Filing a Notice of Federal Tax Lien (NFTL). An NFTL is a public notice of our claim against your property that will appear on your credit report and may harm your credit rating. We'll release the lien once you pay the taxes, penalties, interest, and recording fees in full. You can also request that we withdraw the lien if certain circumstances exist. Call us at the telephone number listed on this letter to find out more.
- Serving a Notice of Levy or seizing assets. We can collect the amount you owe from your wages, bank accounts, social security benefits, retirement, or other sources of income. We may also seize your car, home, or other property.
- Applying other tax refunds. We may apply any future federal or state tax refunds you receive to pay down the debt you owe.

If you disagree with the IRS's collection actions, you may be able to appeal the IRS's actions through Collection Due Process (CDP) or the Collection Appeals Program (CAP), depending on where you are in the collections process. For more information, see Publication 1660, Collection Appeal Rights.

PENALTIES AND INTEREST

We've provided a general explanation of the possible penalties and/or interest we may have included in the current balance due on your account. If you want a specific explanation of how we computed the balance on your account, call us at the toll-free number shown in this letter, and we will send you a detailed computation.

**** Filing and/or Paying Late -- IRC Section 6651 ****

We assess a 5% monthly penalty for filing your return late and a 1/2% monthly penalty for not paying the tax you owe by the due date. When both penalties apply for the same month, the amount of the penalty for filing late for that month is reduced by the amount of the penalty for paying late for that month.

The failure-to-file or failure-to-pay penalty may not apply where you've shown that the failure is due to reasonable cause and not willful neglect.

We base the monthly penalty for filing late on the tax required to be shown on the return that you didn't pay by the original return due date, without regard to extensions.

We base the monthly penalty for paying late on the net unpaid tax at the beginning of each penalty month following the payment due date for that tax.

We charge the penalties for each month or part of a month the return or payment is late; however, neither penalty can be more than 25% in total.

Income tax returns are subject to a minimum late filing penalty when filed more than 60 days after the due date, including extensions. The minimum penalty is \$205 (\$135 for returns due between 1/1/2009 and 12/31/2015, \$100 for returns due before 1/1/2009) or 100% of the tax required to be shown on the return that you didn't pay on time, whichever is less.

The penalty for paying late applies even if you filed the return on time. The due date for payment of the tax shown on the return generally is the return due date, without regard to extensions. You must pay increases in tax within 21 days of the date of our letter

demanding payment (10 business days if the amount in the letter is \$100,000 or more).

If we issue a Notice of Intent to Levy and you don't pay the balance due within 10 days of the date of the notice, the penalty for paying late increases to 1% per month.

For individuals who filed on time, the penalty decreases to 1/4% per month while an approved installment agreement with the IRS is in effect for payment of that tax.

**** Interest -- IRC Section 6601 ****

We are required by law to charge interest when you do not pay your liability on time. Generally, we calculate interest from the due date of your return (regardless of extensions) until you pay the amount you owe in full, including accrued interest and any penalty charges. Interest on some penalties accrues from the date we notify you of the penalty until it is paid in full. Interest on other penalties, such as failure to file a tax return, starts from the due date or extended due date of the return. Interest rates are variable and may change quarterly.

REMOVAL OR REDUCTION OF PENALTIES

We understand that circumstances - such as a serious illness or injury, a family member's death, or loss of financial records due to a natural disaster - may make it difficult for you to meet your taxpayer responsibility in a timely manner. If you would like us to consider removing or reducing any of your penalty charges, please do the following:

- Identify which penalty charges you would like us to remove or reduce (e.g. 2005 late filing penalty).
- For each penalty charge, explain why you believe removal or reduction is appropriate.
- Sign your statement, and mail it to us along with any supporting documents.

We'll review your statement and let you know whether we accept your explanation as reasonable cause to reduce or remove the penalty charge.

If you were penalized based on written advice from the IRS, we will remove the penalty if you meet the following criteria:

- You sent a written request to the IRS for written advice on a specific issue
- You gave us adequate and accurate information
- You received written advice from us
- You reasonably relied on our written advice and were penalized based on that advice

To request removal of penalties based on erroneous written advice from us, submit a completed Claim for Refund and Request for Abatement (Form 843) to the IRS service center where you filed your tax return.

ADDITIONAL INFORMATION

For more information about your rights and the IRS collection process, review Publication 1, Your Rights as a Taxpayer, and Publication 594, IRS Collection Process. You can get these and any of the other forms or publications mentioned in this letter by visiting www.irs.gov/formspubs or by calling 1-800-TAX-FORM (1-800-829-3676).

If you have questions, you can call us at [39 23V].

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If you prefer, you can write to us at:

Internal Revenue Service
[40 50V]
[41 50V]
[42 50V]

The IRS office whose number is listed above can best access your tax information and address your situation. You may also qualify for assistance from the Taxpayer Advocate Service (TAS) or a Low Income Taxpayer Clinic (LITC).

TAS is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 1-877-777-4778.

LITCs are independent from the IRS. LITCs serve individuals whose income is below a certain level and who need to resolve a tax problem with the IRS. LITCs provide professional representation before the IRS or in court on audits, appeals, tax collection disputes, and other issues for free or for a small fee. For more information and to find an LITC near you, see the LITC page at www.taxpayeradvocate.irs.gov/litcmap or IRS Publication 4134, Low Income Taxpayer Clinic List. This publication is also available by calling the IRS at 1-800-829-3676 or visiting your local IRS office.

We're required to send a copy of this letter to both you and your spouse. Each copy contains the same information about your joint account. You only need to pay the amount due once.

When you write, include a copy of this letter and provide in the spaces below, your telephone number and the hours we can reach you. Keep a copy of this letter for your records.

Telephone Number () _____ Hours _____

Sincerely yours,

[43 35S]
[44 35S]

NOTE: In fill-in 36, include delivery address.
In fill-in 37, include city, state, and zip code.

NOTE: In fill-in 40, include unit name and mail stop.

5696C -- Collection Alternatives Pilot II (IMF)

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In fill-in 41, include delivery address.
In fill-in 42, include city, state, and zip code.

Letter 5696C (New 02-2016)

APPENDIX 2: Letter 5701C

5696C -- Collection Alternatives Pilot II (IMF).txt
5696C -- Collection Alternatives Pilot II (IMF)

Department of the Treasury	Transmittal Number 16-04	Date of Issue 04/04/2016
	Originating Office SBSE:CO:HC:QTS:J:CT	Form Number 5696C

IRS
CORRESPONDENCE

Internal Revenue Service

Title: Collection Alternatives Pilot II

Number of Copies Original	Distribution to: 1 to TP	Former Letter
OMB Clearance Number	Expires	IMF

Letters Considered in Revision:

A Social security number: [01 12T]

Dear [-30V]

Our records show you have unpaid taxes for the tax periods listed below.

Form	Tax year	Tax	Penalty	Interest
[02 9V]	[03 13P]	\$ [04 12\$]	\$ [05 10\$]	\$ [06 10\$]
B [07 9V]	[08 13P]	\$ [09 12\$]	\$ [10 10\$]	\$ [11 10\$]
C [12 9V]	[13 13P]	\$ [14 12\$]	\$ [15 10\$]	\$ [16 10\$]
D [17 9V]	[18 13P]	\$ [19 12\$]	\$ [20 10\$]	\$ [21 10\$]
E [22 9V]	[23 13P]	\$ [24 12\$]	\$ [25 10\$]	\$ [26 10\$]
F [27 9V]	[28 13P]	\$ [29 12\$]	\$ [30 10\$]	\$ [31 10\$]

Total due \$[32 12\$]

Your current total amount due is \$[33 12\$], which includes penalty and interest charges through [34 130]. If we don't receive full payment by this date, we'll continue to charge interest and any applicable penalties until you pay the total balance due. Pay as much as you can now using one of the payment options described below.

If you already paid your balance in full within the past 14 days or made payment arrangements, you can disregard this letter.

PAYMENT OPTIONS

PAY NOW ELECTRONICALLY
We offer free payment options to securely pay your tax bill directly from your checking or savings account. When you pay online or from your mobile device, you can:

- Receive instant confirmation of your payment
- Schedule payments in advance
- Modify a payment before the due date

You can also pay by debit or credit card for a small fee. To see all

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of our payment options, visit www.irs.gov/payments.

PAYMENT PLANS

If you can't pay the full amount you owe, pay as much as you can now and make arrangements to pay your remaining balance. Visit www.irs.gov/paymentplan for more information on installment agreements and online payment agreements. You can also call us at [35 23V] to discuss your options.

OFFER IN COMPROMISE

An offer in compromise allows you to settle your tax debt for less than the full amount you owe. If we accept your offer, you can pay with either a lump sum cash payment plan or periodic payment plan. To see if you qualify, use the Offer in Compromise Pre-Qualifier tool on our website. For more information, visit www.irs.gov/offers.

ACCOUNT BALANCE AND PAYMENT HISTORY

For information on how to obtain your current account balance or payment history, go to www.irs.gov/balancedue.

If you mail a payment, make your check or money order payable to the United States Treasury and provide on each payment:

- Name
- Address
- Taxpayer identification number
- Daytime telephone number
- Tax year
- Tax form

You can mail the payment to:

Internal Revenue Service
[36 50V]
[37 50V]

PAST DUE TAX RETURNS

To qualify for an online payment agreement, installment agreement, or offer in compromise, you must file all tax returns; however, you don't need to file all tax returns for us to consider placing your account in CNC status. If you're not required to file because your income is below the filing requirement, let us know, and we can close the filing requirement for that tax year. If your income is above the filing requirement, you must file the returns. If you need assistance filing your taxes, visit www.irs.gov/vita to see if you qualify for free tax return preparation by the Volunteer Income Tax Assistance program.

CURRENTLY NOT COLLECTIBLE

If paying your tax liability will cause you economic hardship so that you can't pay your reasonable basic living expenses, you may request that we place your account in currently not collectible (CNC) status. You can call us at [38 23V] to make this request. You'll need to gather complete financial information, including a list of your monthly expenses, before you call. If we agree that you can't pay, we can suspend collection action and classify your account as CNC. CNC does not mean the debt goes away. Applicable penalties and interest will still accumulate, and we may collect against you in the future if your financial situation improves.

IF YOU DON'T PAY OR MAKE PAYMENT ARRANGEMENTS

If you don't pay your tax bill or contact us to arrange payments, we will take action to collect what you owe. This can include:

- Filing a Notice of Federal Tax Lien (NFTL). An NFTL is a public notice of our claim against your property that will appear on

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 your credit report and may harm your credit rating. We'll release the lien once you pay the taxes, penalties, interest, and recording fees in full. You can also request that we withdraw the lien if certain circumstances exist. Call us at the telephone number listed on this letter to find out more.
- Serving a Notice of Levy or seizing assets. We can collect the amount you owe from your wages, bank accounts, social security benefits, retirement, or other sources of income. We may also seize your car, home, or other property.
 - Applying other tax refunds. We may apply any future federal or state tax refunds you receive to pay down the debt you owe.

If you disagree with the IRS's collection actions, you may be able to appeal the IRS's actions through Collection Due Process (CDP) or the Collection Appeals Program (CAP), depending on where you are in the collections process. For more information, see Publication 1660, Collection Appeal Rights.

PENALTIES AND INTEREST

We've provided a general explanation of the possible penalties and/or interest we may have included in the current balance due on your account. If you want a specific explanation of how we computed the balance on your account, call us at the toll-free number shown in this letter, and we will send you a detailed computation.

** Filing and/or Paying Late -- IRC Section 6651 **

We assess a 5% monthly penalty for filing your return late and a 1/2% monthly penalty for not paying the tax you owe by the due date. When both penalties apply for the same month, the amount of the penalty for filing late for that month is reduced by the amount of the penalty for paying late for that month.

The failure-to-file or failure-to-pay penalty may not apply where you've shown that the failure is due to reasonable cause and not willful neglect.

We base the monthly penalty for filing late on the tax required to be shown on the return that you didn't pay by the original return due date, without regard to extensions.

We base the monthly penalty for paying late on the net unpaid tax at the beginning of each penalty month following the payment due date for that tax.

We charge the penalties for each month or part of a month the return or payment is late; however, neither penalty can be more than 25% in total.

Income tax returns are subject to a minimum late filing penalty when filed more than 60 days after the due date, including extensions. The minimum penalty is \$205 (\$135 for returns due between 1/1/2009 and 12/31/2015, \$100 for returns due before 1/1/2009) or 100% of the tax required to be shown on the return that you didn't pay on time, whichever is less.

The penalty for paying late applies even if you filed the return on time. The due date for payment of the tax shown on the return generally is the return due date, without regard to extensions. You must pay increases in tax within 21 days of the date of our letter demanding payment (10 business days if the amount in the letter is \$100,000 or more).

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If we issue a Notice of Intent to Levy and you don't pay the balance due within 10 days of the date of the notice, the penalty for paying late increases to 1% per month.

For individuals who filed on time, the penalty decreases to 1/4% per month while an approved installment agreement with the IRS is in effect for payment of that tax.

**** Interest -- IRC Section 6601 ****

We are required by law to charge interest when you do not pay your liability on time. Generally, we calculate interest from the due date of your return (regardless of extensions) until you pay the amount you owe in full, including accrued interest and any penalty charges. Interest on some penalties accrues from the date we notify you of the penalty until it is paid in full. Interest on other penalties, such as failure to file a tax return, starts from the due date or extended due date of the return. Interest rates are variable and may change quarterly.

REMOVAL OR REDUCTION OF PENALTIES

We understand that circumstances - such as a serious illness or injury, a family member's death, or loss of financial records due to a natural disaster - may make it difficult for you to meet your taxpayer responsibility in a timely manner. If you would like us to consider removing or reducing any of your penalty charges, please do the following:

- Identify which penalty charges you would like us to remove or reduce (e.g. 2005 late filing penalty).
- For each penalty charge, explain why you believe removal or reduction is appropriate.
- Sign your statement, and mail it to us along with any supporting documents.

We'll review your statement and let you know whether we accept your explanation as reasonable cause to reduce or remove the penalty charge.

If you were penalized based on written advice from the IRS, we will remove the penalty if you meet the following criteria:

- You sent a written request to the IRS for written advice on a specific issue
- You gave us adequate and accurate information
- You received written advice from us
- You reasonably relied on our written advice and were penalized based on that advice

To request removal of penalties based on erroneous written advice from us, submit a completed Claim for Refund and Request for Abatement (Form 843) to the IRS service center where you filed your tax return.

ADDITIONAL INFORMATION

For more information about your rights and the IRS collection process, review Publication 1, Your Rights as a Taxpayer, and Publication 594, IRS Collection Process. You can get these and any of the other forms or publications mentioned in this letter by visiting www.irs.gov/formspubs or by calling 1-800-TAX-FORM (1-800-829-3676).

If you have questions, you can call us at [39 23V].

If you prefer, you can write to us at:

Internal Revenue Service
[40 50V]

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[41 50V]
[42 50V]

The IRS office whose number is listed above can best access your tax information and address your situation. You may also qualify for assistance from the Taxpayer Advocate Service (TAS) or a Low Income Taxpayer Clinic (LITC).

TAS is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 1-877-777-4778.

LITCs are independent from the IRS. LITCs serve individuals whose income is below a certain level and who need to resolve a tax problem with the IRS. LITCs provide professional representation before the IRS or in court on audits, appeals, tax collection disputes, and other issues for free or for a small fee. For more information and to find an LITC near you, see the LITC page at www.taxpayeradvocate.irs.gov/litcmap or IRS Publication 4134, Low Income Taxpayer Clinic List. This publication is also available by calling the IRS at 1-800-829-3676 or visiting your local IRS office.

We're required to send a copy of this letter to both you and your spouse. Each copy contains the same information about your joint account. You only need to pay the amount due once.

When you write, include a copy of this letter and provide in the spaces below, your telephone number and the hours we can reach you. Keep a copy of this letter for your records.

Telephone Number () _____ Hours _____

Sincerely yours,

[43 35S]
[44 35S]

NOTE: In fill-in 36, include delivery address.
In fill-in 37, include city, state, and zip code.

NOTE: In fill-in 40, include unit name and mail stop.
In fill-in 41, include delivery address.
In fill-in 42, include city, state, and zip code.

APPENDIX 3: Letter 5702C

5702C -- Collection Alternatives Pilot 4 (IMF/BMF)

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Department of the Treasury | Transmittal Number | Date of Issue
 | 16-04 | 04/04/2016

| Originating Office | Form Number
 | SBSE:CO:HC:QTS:J:CT | 5702C

IDRS
 CORRESPONDEX

Internal Revenue Service

Title: Collection Alternatives Pilot 4

Number of Copies | Distribution to: | Former Letter
 Original | 1 to TP |

OMB Clearance Number | Expires |
 - | | IMF/BMF

Letters Considered in Revision:

A Taxpayer identification number: [01 12T]

Dear [-30V]

This is a reminder that you have the following unpaid taxes:

Form	Tax year	Tax	Penalty	Interest
[02 9V]	[03 13P]	\$ [04 12\$]	\$ [05 10\$]	\$ [06 10\$]
B [07 9V]	[08 13P]	[09 12\$]	[10 10\$]	[11 10\$]
C [12 9V]	[13 13P]	\$ [14 12\$]	\$ [15 10\$]	\$ [16 10\$]
D [17 9V]	[18 13P]	[19 12\$]	[20 10\$]	[21 10\$]
E [22 9V]	[23 13P]	\$ [24 12\$]	\$ [25 10\$]	\$ [26 10\$]
F [27 9V]	[28 13P]	\$ [29 12\$]	\$ [30 10\$]	\$ [31 10\$]

Total due \$[32 12\$]

We notified you previously of this amount, but our records show you haven't resolved the balance due or made arrangements to do so.

If we don't receive full payment of \$[33 14\$] by [34 13D], the amount of interest will increase and additional penalties may apply.

WHAT YOU NEED TO DO IMMEDIATELY

If you aren't currently working with us to resolve your account and agree with the amount due:

- Pay the amount due of \$[35 14\$] within 10 days. Remember, we continue to charge penalty and interest until you pay the balance in full.
- If you can't pay the amount due, pay as much as you can now and make payment arrangements that allow you to pay off the rest over time.
- Visit www.irs.gov/payments for more information about:

* Installment and payment agreements - download required forms or save time and money by applying on line if you qualify

<http://serp.enterprise.irs.gov/databases/forms-ltrs-pubs.dr/crxltrs.dr/c.dr/5702c.htm>

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* Automatic deductions from your bank account

* Payroll deductions

* Credit card payments

- Or, call us at 1-800-829-3903 to discuss your options.

If you already paid your balance in full within the past 14 days or made payment arrangements, you can disregard this letter.

G MAILING PAYMENTS

G If you mail a payment, make your check or money order payable to the United States Treasury and provide on each payment:

- G - Name
- G - Address
- G - Taxpayer identification number
- G - Daytime telephone number
- G - Tax year
- G - Tax form

G You can mail the payment to:

- G Internal Revenue Service
- G [36 50V]
- G [37 50V]

G PAST DUE TAX RETURNS

G To qualify for an online payment agreement, installment agreement, or offer in compromise, you must file all tax returns; however, you don't need to file all tax returns for us to consider placing your account in currently not collectable status. If you're not required to file because your income is below the filing requirement, let us know and we can close the filing requirement for that tax year. If your income is above the filing requirement, you must file the returns. If you need assistance filing your taxes, visit www.irs.gov/vita to see if you qualify for free tax return preparation by the Volunteer Income Tax Assistance program.

H PAY NOW ELECTRONICALLY OR BY PHONE

H The Electronic Federal Tax Payment System (EFTPS) is a free payment service for paying taxes online or by phone. To use EFTPS, you must enroll online at www.eftps.gov (registration may take up to 7 business days to take effect). When you use the EFTPS website, you can:

- H - Receive instant confirmation of your payment
- H - Access payment history to review previous payments
- H - Schedule payments up to 365 days in advance
- H - Cancel a payment before the scheduled date
- H - Make a payment 24 hours a day, 7 days a week
- H - Authorize your financial institution or authorized third party (such as an accountant or payroll provider) to schedule payments for you.

H You may also be able to pay by debit or credit card for a small fee, depending on the type of tax you owe. To see all of our payment options, visit www.irs.gov/payments.

H PAYMENT PLANS

H If you can't pay the full amount you owe, pay as much as you can now and make arrangements to pay your remaining balance. Visit

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H www.irs.gov/paymentplan for more information on how to apply for
H installment agreements and online payment agreements. You can also
H call us at 1-800-[38 8V] to discuss your options.

H
H Small businesses that owe \$25,000 or less in assessed tax, penalty,
H and interest can also apply online for an In-Business Trust Fund
H Express Installment Agreement at www.irs.gov/paymentplan.

H
H OFFER IN COMPROMISE

H An offer in compromise allows you to settle your tax debt for less
H than the full amount you owe. If we accept your offer, you can pay
H with either a lump sum cash payment plan or periodic payment plan.
H For more information, visit www.irs.gov/offers.

H
H PAYMENT HISTORY

H If you made payments through EFTPS, you can log on to your EFTPS
H account online to review payments you made by phone or online.

H
H MAILING PAYMENTS

H If you mail a payment, make your check or money order payable to the
H United States Treasury and provide on each payment:

- H - Name
- H - Address
- H - Taxpayer identification number
- H - Daytime telephone number
- H - Tax year
- H - Tax form

H
H CURRENTLY NOT COLLECTIBLE

If paying your tax liability will cause you economic hardship so that
you can't pay your reasonable basic living expenses, you may request
that we place your account in currently not collectible (CNC) status.
You can call us at [39 23V] to make this request.

You'll need to gather complete financial information, including a list
of your monthly expenses, before you call. If we agree that you can't
pay, we can suspend collection action and classify your account as
CNC. CNC does not mean the debt goes away. Applicable penalties and
interest will still accumulate, and we may collect against you in the
future if your financial situation improves.

H
H IF YOU DON'T PAY OR MAKE PAYMENT ARRANGEMENTS

If you don't pay your tax bill or contact us to arrange payments, we
will take action to collect what you owe. This can include:

- Filing a Notice of Federal Tax Lien (NFTL). An NFTL is a public
notice of our claim against your property that will appear on
your credit report and may harm your credit rating. We'll
release the lien once you pay the taxes, penalties, interest,
and recording fees in full. You can also request that we
withdraw the lien if certain circumstances exist. Call us at
the telephone number listed on this letter to find out more.
- Serving a Notice of Levy or seizing assets. We can collect the
amount you owe from your wages, bank accounts, social security
benefits, retirement, or other sources of income. We may also
seize your car, home, or other property.
- Applying other tax refunds. We may apply any future federal or
state tax refunds you receive to pay down the debt you owe.

H
H PENALTIES AND INTEREST

We've provided a general explanation of the possible penalties and/or
interest we may have included in the current balance due on your
account. If you want a specific explanation of how we computed the
balance on your account, call us at the toll-free number in this

<http://serp.enterprise.irs.gov/databases/forms-ltrs-pubs.dr/crxltrs.dr/c.dr/5702c.htm>

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letter, and we will send you a detailed computation.

**** Filing and/or Paying Late -- IRC Section 6651 ****

We assess a 5% monthly penalty for filing your return late and a 1/2% monthly penalty for not paying the tax you owe by the due date. When both penalties apply for the same month, the amount of the penalty for filing late for that month is reduced by the amount of the penalty for paying late for that month.

The failure-to-file or failure-to-pay penalty may not apply where you've shown that the failure is due to reasonable cause and not willful neglect.

We base the monthly penalty for filing late on the tax required to be shown on the return that you didn't pay by the original return due date, without regard to extensions.

We base the monthly penalty for paying late on the net unpaid tax at the beginning of each penalty month following the payment due date for that tax.

We charge the penalties for each month or part of a month the return or payment is late; however, neither penalty can be more than 25% in total.

Income tax returns are subject to a minimum late filing penalty when filed more than 60 days after the due date, including extensions. The minimum penalty is \$205 (\$135 for returns due between 1/1/2009 and 12/31/2015, \$100 for returns due before 1/1/2009) or 100% of the tax required to be shown on the return that you didn't pay on time, whichever is less.

The penalty for paying late applies even if you filed the return on time. The due date for payment of the tax shown on the return generally is the return due date, without regard to extensions. You must pay increases in tax within 21 days of the date of our notice demanding payment (10 business days if the amount in the notice is \$100,000 or more).

If we issue a Notice of Intent to Levy and you don't pay the balance due within 10 days of the date of the notice, the penalty for paying late increases to 1% per month.

For individuals who filed on time, the penalty decreases to 1/4% per month while an approved installment agreement with the IRS is in effect for payment of that tax.

**** Interest -- IRC Section 6601 ****

We are required by law to charge interest when you do not pay your liability on time. Generally, we calculate interest from the due date of your return (regardless of extensions) until you pay the amount you owe in full, including accrued interest and any penalty charges. Interest on some penalties accrues from the date we notify you of the penalty until it is paid in full. Interest on other penalties, such as failure to file a tax return, starts from the due date or extended due date of the return. Interest rates are variable and may change quarterly.

I ** Late or incomplete [40 13V] return -- IRC Section [41 4N] **
I

I The penalty is \$[42 6\$] per [43 24V], for each month
I or part of a month the return was late or incomplete, for up to
I [44 2N] months.
I

REMOVAL OR REDUCTION OF PENALTIES

We understand that circumstances - such as a serious illness or injury, a family member's death, or loss of financial records due to a natural disaster - may make it difficult for you to meet your taxpayer responsibility in a timely manner. If you would like us to consider removing or reducing any of your penalty charges, please do the following:

- Identify which penalty charges you would like us to reconsider (e.g. 2005 late filing penalty).
- For each penalty charge, explain why you believe it should be reconsidered.
- Sign your statement, and mail it to us.

We'll review your statement and let you know whether we accept your explanation as reasonable cause to reduce or remove the penalty charge.

If you were penalized based on written advice from the IRS, we will remove the penalty if you meet the following criteria:

- You sent a written request to the IRS for written advice on a specific issue.
- You gave us adequate and accurate information.
- You received written advice from us.
- You reasonably relied on our written advice and were penalized based on that advice.

To request removal of penalties based on erroneous written advice from us, submit a completed Claim for Refund and Request for Abatement (Form 843) to the IRS service center where you filed your tax return.

ADDITIONAL INFORMATION

If you have questions or want to discuss your balance, you can call us at [45 23V].

If you prefer, you can write to us at:

Internal Revenue Service
[46 50V]
[47 50V]
[48 50V]

The IRS office whose number is listed above can best access your tax information and address your situation. You may also qualify for assistance from the Taxpayer Advocate Service (TAS).

TAS is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 1-877-777-4778.

When you write, include a copy of this letter and provide in the spaces below, your telephone number and the hours we can reach you. Keep a copy of this letter for your records.

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Telephone number () _____ Hours _____

Sincerely yours,

[49 35S]

[50 35S]

 NOTE: For IMF accounts, use par. G.
 For BMF accounts, use par. H.

 NOTE: In fill-in 36, include delivery address.
 In fill-in 37, include city, state, and zip code.

 NOTE: NOTE: In fill-in 39, provide the contact phone number.

 NOTE: For fill-in 40 use "partnership" for MFT 06, "REMIC"
 for MFT 07, or "S corporation" for MFT 02.

 NOTE: For fill-in 41 use "6698" for MFT 06 and MFT 07, and
 "6699" for MFT 02.

 NOTE: For fill-in 42 use the amount from IRM 20.1.2.3.2(2) or
 IRM 20.1.2.5.2(2), as applicable.

 NOTE: For fill-in 43 use "partner" for MFT 06, "shareholder"
 for MFT 02 and "residual interest holder" for MFT 07.

 NOTE: For fill-in 44 use "5" or "12" as applicable.

<http://serp.enterprise.irs.gov/databases/forms-ltrs-pubs.dr/crxltrs.dr/c.dr/5702c.htm>

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NOTE: In fill-in 46 include unit name and mail stop.
In fill-in 47, include delivery address.
In fill-in 48, include city, state, and zip code.

Letter 5702C (New 02-2016)

<http://serp.enterprise.irs.gov/databases/forms-ltrs-pubs.dr/crxltrs.dr/c.dr/5702c.htm>

12/17/2018