

#25 AMEND IRC § 7524 TO REQUIRE THE IRS TO MAIL NOTICES AT LEAST QUARTERLY TO TAXPAYERS WITH DELINQUENT TAX LIABILITIES

Present Law

IRC § 7524 requires the IRS, “[n]ot less often than annually,” to send to taxpayers with delinquent accounts a reminder notice that sets forth the amount of the tax delinquency as of the date of the notice.

Reasons for Change

The IRS satisfies the IRC § 7524 requirement by sending taxpayers with delinquent accounts Notice CP-71, *Reminder Notice*, once a year. The infrequency of IRS billing notices leaves collectible revenue uncollected and subjects taxpayers who would make payments if they received more frequent reminders to additional penalties and interest charges.

We acknowledge that sending more frequent notices after the IRS’s initial notice stream would entail additional postage and processing costs. Therefore, the projected revenue that would be collected from sending more frequent notices must be weighed against the projected costs to determine whether more frequent notices would be cost effective. Significantly, private sector businesses face this same trade-off, and private businesses, including credit card issuers and retailers, almost uniformly send billing notices more frequently than once a year. Most send delinquency notices on at least a monthly basis. Thus, there is clearly a consensus in the private sector that the collection costs of mailing more frequent notices more than pay for themselves.

We believe the IRS, too, would collect more revenue, net of any costs, if it sends more frequent notices. A recent IRS lien study showed that monthly collection notices generated more revenue than notices that were sent just once. In addition, taxpayers receiving more frequent notices would be more likely to notice that penalties and interest charges continue to accrue, causing their balances to increase. This would provide an additional incentive for them to resolve their liabilities.

Recommendation

Amend IRC § 7524 to require the IRS to mail notices at least quarterly to taxpayers with delinquent tax liabilities.