

5. ANALYZE PAST COLLECTION DATA TO DETERMINE THE CIRCUMSTANCES UNDER WHICH THE IRS SHOULD GENERALLY NOT INITIATE ENFORCEMENT ACTION ON A DELINQUENT TAX LIABILITY

During FY 2022, the IRS issued thousands of levies and filed thousands of Notices of Federal Tax Liens (NFTLs).¹⁸ The number of these enforced collection actions was even higher in FY 2019 before the pandemic delayed many collection actions.¹⁹ Enforced collection actions can certainly be necessary to bring certain taxpayers into paying compliance; however, the IRS has also issued levies solely to get unresponsive taxpayers to contact the IRS, and it may file NFTLs even when the taxpayer has no substantive assets. Taxpayers are often fearful of opening letters from the IRS and may not be aware that they need to respond to IRS collection notices. The IRS should consider alternative options and attempt to contact taxpayers by telephone, email, or text before initiating enforced collection actions. Furthermore, although it is certainly important for taxpayers to contact the IRS to resolve their tax delinquencies, initiating enforcement actions against taxpayers when systemic data indicates the likelihood that the taxpayers' expenses exceed their income and no assets are detected is burdensome to taxpayers, third parties, and the IRS.

As part of its efforts to transform its operations, the IRS is planning to implement targeted treatments based on the specific circumstances of the taxpayer. To this end, TAS will explore characteristics of taxpayer delinquencies that indicate the IRS should generally refrain from taking enforcement actions that may cause a significant burden to taxpayers and/or result in unproductive work for the IRS.

Objective 5 – TAS will explore past IRS collection data and outcomes to recommend guidelines to the IRS for determining under what circumstances it should generally not initiate enforcement actions such as issuing a levy or filing a lien.

- Activity 1: Determine the proceeds generated from previous IRS levies and whether levies issued to taxpayers with certain systemically detectable financial situations (*e.g.*, likely allowable living expenses exceeding income) are often unproductive.
- Activity 2: Determine the proceeds generated from previous IRS liens and whether liens issued to taxpayers with certain systemically detectable financial situations (*e.g.*, a lack of significant assets) are often unproductive.²⁰

18 IRS, Collection Activity Report 5000-24, Levy and Seizure Report (Oct. 2019). During FY 2022, IRS collection personnel issued 273,286 levies and filed 157,323 NFTLs; IRS, Collection Activity Report 5000-25, Liens Report (Oct. 2019).

19 During FY 2019, IRS collection personnel issued 782,735 levies and filed 543,604 NFTLs. IRS, Collection Activity Report 5000-24, Levy and Seizure Report (Oct. 2022); IRS, Collection Activity Report 5000-25, Liens Report (Oct. 2022).

20 Previous studies have reached different conclusions on the effectiveness of filing liens. See, *e.g.*, IRS, Pub. 1500, IRS Research Bulletin 12-29 (June 2016) (featuring papers from the Sixth Annual Joint Research Conference on Tax Administration); National Taxpayer Advocate 2012 Annual Report to Congress vol. 2, at 107-130 (*Investigating the Impact of Liens on Taxpayer Liabilities and Payment Behavior*), <https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/Research-Studies-Investigating-the-Impact-of-Liens-on-Taxpayer-Liabilities-and-Payment-Behavior.pdf>.