POLICY FOR TAX DEBT COLLECTION

IRS Has a Complex Process to Attempt to Collect Billions of Dollars in Unpaid Tax Debts

What GAO Found

IRS has a complex process to collect unpaid tax debts by contacting taxpayers through notices, telephone calls, and in person. Because IRS has a very large debt workload and limited resources spread across multiple units, it must make numerous decisions about how best to handle debt cases. The complexity also arises because debt cases can take various routes based on about 70 IRS decision rules used for handling cases. The rules respond to a wide variety of debt characteristics, information known about the taxpayer, and the results of attempts to contact the taxpayer or take enforcement action.

From fiscal years 2002 through 2007, increases occurred in the unpaid tax debt inventory, the percentages of debt classified as potentially collectible and in active collection status, and the dollars IRS collected. It is unclear whether dollars collected will continue to grow at rates similar to the growth in debt classified as collectible or active because, for example, those categories do not mean that the debt has a high potential for collection and will be actively pursued or that debt resolution will necessarily result in dollars collected.

IRS-wide collection performance measures cover three outcomes of the three-phase process with an emphasis on closing more debt cases in less staff time. IRS did not indicate why more measures for the whole collection process were lacking. For each of the phases, IRS had more performance measures such as on debt resolutions, time spent, satisfaction, and quality, which phase managers said were sufficient for them.

GAO has identified material weaknesses in IRS's controls over unpaid tax assessments and collections partly due to the lack of agencywide cost-benefit data and related performance measures. Although IRS has made some progress on these weaknesses, progress has not been sufficient to resolve them. For example, over the past 3 years, IRS has employed various approaches, including sophisticated computer modeling and risk assessment techniques, to assist it in more effectively identifying the tax debt cases with the greatest collection potential, and to facilitate prioritizing of these cases for collection. IRS has also employed these techniques to identify the most effective collection approach to take for the various types of outstanding tax debt. Although IRS has ongoing projects to expand the use of these models and techniques, it does not yet have an agencywide, systematic approach to managing the collection of tax debts across IRS. In response, IRS has created a council of IRS collection officials to coordinate various collection activities across IRS and potential changes across the parts of the collection process. Further, IRS has a number of ongoing projects to improve aspects of the collection process. However, some of these projects will take a few years to be implemented.

What GAO Recommends

GAO makes no recommendations. GAO previously said that the lack of adequate performance measures hampered IRS in formulating an enterprise-wide collection strategy. In comments on this report, IRS noted its collection process highlights. IRS provided technical comments which were incorporated as appropriate.

To view the full product, including the scope and methodology, click on GAO-08-728. For more information, contact Michael Brostek at (202) 512-9110 or brostekm@gao.gov.