IRS Seizures Not Always Legal

The Internal Revenue Service violated some of its own legal requirements in some of the seizures of taxpayer property it conducted in the past two years, according to a new report.

The Treasury Inspector General for Tax Administration identified 25 instances in 19 of the 50 seizures it studied in which the IRS did not comply with a particular Tax Code requirement. TIGTA studied a random sample of 50 of the 683 seizures the IRS conducted between July 1, 2006, and June 30, 2007. Although the rate of violations seems high, TIGTA noted that it actually represents only about 1 percent, as there could have been numerous statutory violations in each case. Still, the instances may have resulted in violations of taxpayers' rights.

The 25 instances included 10 in which expenses and proceeds resulting from the seizures were not properly applied to the taxpayers' accounts, five instances in which the sales of seized properties were not properly advertised, and five instances in which the correct amounts of the liabilities for which the seizures were made were not provided on the notices of seizures sent to the taxpayers.

IRS seizures were on the wane for several years, but have increased recently. After the passage of the IRS Restructuring and Reform Act of 1998, IRS seizures decreased from 10,090 in fiscal year 1997 to 74 in fiscal year 2000. Seizures have climbed steadily since 2000, but remain less than 7 percent of the amount reported in fiscal year 1997.

TIGTA recommended that IRS agents routinely fill out a Seized Property Sale Report (Form 2436) for all seizure expenses and proceeds transactions, which seems to help curb some of the violations. The IRS agreed to create a new form for posting seizure expenses for releases and redemptions