

TAX ADMINISTRATION



Highlights of [GAO-03-356](#), a report to the Committee on Ways and Means and Subcommittee on Oversight, House of Representatives.

Federal Payment Levy Program Measures, Performance, and Equity Can Be Improved

Why GAO Did This Study

According to the Internal Revenue Service (IRS), taxpayers currently owe about \$249 billion in delinquent taxes. At the same time, the government pays billions of dollars in Social Security, retirement, and other federal payments to thousands of these individuals. To help IRS administer tax laws fairly and collect delinquent taxes effectively, Congress included a provision authorizing the Federal Payment Levy Program, which allows IRS to continuously levy up to 15 percent of certain federal payments made to delinquent taxpayers. Because of congressional interest about whether the Federal Payment Levy Program is being implemented as intended, GAO was asked to assess how well the program is operating.

What GAO Recommends

To help IRS improve the operation of the levy program, GAO recommends that IRS (1) include more complete data on the range of taxpayers' actions and tax collections attributable to the program in its new measurement approach, (2) study the feasibility of submitting all delinquent accounts for matching against federal payments, and (3) discontinue use of the income criterion used to determine which Social Security beneficiaries can have their payments levied.

IRS agreed to implement the first two recommendations and explore options in regard to the third.

www.gao.gov/cgi-bin/getrpt?GAO-03-356.

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

What GAO Found

The Federal Payment Levy Program enables IRS to continuously levy (take a portion of) federal payments to individuals and businesses owing delinquent taxes. GAO has found the following:

- IRS measures only about 27 percent of the revenues that can be attributed to the continuous levy program. IRS does not measure revenues that are received through voluntary payments as taxpayers respond to the notice of intent to levy or certain other results. Understating the program's impact may hinder IRS in making well-founded decisions on program management and resource allocation. IRS plans to revise its measure of program results but has not yet decided how to do so.
- IRS blocks many eligible delinquent accounts from being included in the Federal Payment Levy Program, thereby missing an opportunity to gather information on which debtors are receiving federal payments, that could be used to collect these delinquent taxes more efficiently. IRS recently unblocked some accounts and plans to unblock more, but has not established a time frame to complete these changes.
- IRS uses an inaccurate income criterion of ability to pay when determining whether taxpayers receiving Social Security benefits can afford to have their benefits levied under the Federal Payment Levy Program. As a result, fair treatment of taxpayers is compromised because taxpayers with a similar ability to pay their delinquent taxes likely are treated differently. IRS recognizes that the criterion is flawed but continues to use it.

Collections Attributable to the Federal Payment Levy Program as of August 2002 for Taxpayers Receiving a Notice of Intent to Levy October-December 2001

