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Report Cites Flawed IRS Asset Seizures, And Ironically, Sales Are Handled By 'PALS'

The last thing you want is to have your assets seized for taxes. The IRS is no one's favorite agency, but a new [report](#) from the [Treasury Inspector General for Tax Administration](#) or TIGTA says IRS procedures on seizures need work. The money at stake isn't small. In fact, from 2011 through 2014, the IRS collected a whopping \$114 million from the sale of assets seized from taxpayers.

Taking property for unpaid tax is called a seizure. Like any debt collector, the IRS can enforce collection, but there are legal safeguards. The last big cut back on IRS power came in 1998, when Congress clipped the IRS's wings. To ensure that taxpayer rights are protected, Congress amended the part of the tax code that deals with seizures. The law required the IRS to implement a consistent process for the sales of seized property. The process is intended to protect taxpayers whose property is being sold to satisfy delinquent debts. And the IRS is still required to comply with these rules.



The latest IRS [report](#) card on these issues came from the Inspector General, which audited the IRS seizure and sale program. The object was to determine

whether it can be improved to increase revenue and to further protect taxpayer rights. One of the safeguards is IRS Property Appraisal and Liquidation Specialists. Yes, they are called PALS.

PALS are supposed to ensure that taxpayers' rights are protected when their property is seized for unpaid taxes. In the cases that were audited, the Inspector General said the seized assets were properly inventoried, safeguarded, and handled professionally. However, the written sale plans developed by the PALS provided varying amounts of detail for the actions to be performed on the day of the sale.

More consistent and specific sale plans could improve managerial oversight and ensure consistent treatment of seized assets. Personal items found in seized assets were not always properly documented when returned to taxpayers. Additionally, there is no requirement for removing taxpayer information from installed systems in vehicles. It could present a security risk if a third-party purchaser can access it.

TIGTA also identified several strategies that the IRS should consider to potentially increase the number of bidders for seized assets. The report recommends that the IRS:

- require the PALS to consistently prepare a detailed sale plan once custody of the seized property has been accepted;
- ensure that the return of all personal items from seized vehicles is documented; and
- require the PALS to follow the Internal Revenue Manual for conducting a sale adjournment and recalculating minimum bids, as well as ensuring that any adjustments are supported by the facts and are properly documented.

In their response to the report, IRS officials agreed with seven of the nine recommendations. IRS officials disagreed with two recommendations to add Manual guidance for: 1) indirect expenses of seizure sales that can be charged to the taxpayer; and 2) the return of license plates from seized vehicles that are sold. TIGTA maintains that the appropriate Manual sections should be updated to provide clear guidance for IRS managers and employees to follow.

Enforced collection such as seizure and sale can be thought of as kind of a last report. But sometimes, the IRS can and does do it. The IRS tries to behave in an orderly way to collect but to be fair. Taxpayers in this unfortunate position should try to verify everything, and where appropriate, to seek professional advice. Be careful out there.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.