RALEIGH, (SGRToday.com) - The U.S. Treasury Department has identified 304,665 federal employees and retirees who owe $3.54 billion in unpaid taxes.

Generally, the IRS is successful at collecting revenue by closing most FERDI cases as fully paid or with an installment agreement.

TIGTA identified two ways in which the FERDI program can be improved. The first involves the Federal Payment Levy Program (FPLP), one of the key collection tools used for the FERDI program, which allows the IRS to levy up to 15 percent of certain Federal payments, including wages, to delinquent taxpayers. Federal payments for certain Federal employees are excluded from the FPLP due to legal or policy constraints, e.g., bankruptcy or military service men and women in combat zones, but the IRS excludes certain other Federal payments from the FPLP without a legal or articulated policy basis. TIGTA forecasts that expanding the FPLP to include more Federal payments could potentially increase revenue by approximately $18.3 million over the next five years.

The second improvement opportunity involves the IRS's policy to handle many FERDI cases manually. Besides the FPLP, FERDI cases bypass the IRS's other Automated Collection System (ACS) tools that can systemically identify taxpayer assets for levy in favor of manual handling. Moving FERDI cases to the ACS's systemic levy process if the FPLP levy attempts fail or if the FPLP levy will not fully pay the amount owed could result in potential benefits such as faster case resolutions and smaller manual inventory sizes.

From the report from the Treasury Inspector General for Tax Administration (TIGTA), which can be found at treasury.gov

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WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS continue identifying and expanding the use of the FPLP to other Federal payments, including military retirement payments, and consider applying ACS systemic levies to
FERDI
taxpayers.

In their response to the report, IRS officials agreed with the recommendation to expand the use of the FPLP to other Federal payments and plan to work with the appropriate agencies to make the necessary programming changes to include military retirement payments.

IRS officials disagreed with the recommendation to apply ACS systemic levies to FERDI taxpayers because they believe that the majority of manually worked
FERDI
cases will be included in the
FPLP
after the programming changes.

TIGTA believes that the IRS could further reduce ACS manual inventory by moving FERDI cases to the ACS systemic levy process when
FPLP
levies do not fully resolve the delinquency.