Collection Technology and Automation
Western Area Collection

- Alaska
- Washington
- Idaho
- Montana
- Oregon
- Wyoming
- Northern California
- Nevada
- Utah
- Colorado
- International
Predictive Analytics

• Predictive modeling software is a type of data mining tool that learns from the historical collection experience of taxpayers

• Predictive analytics' central building block is the predictor \((X)\), a single value or variable

• The right combination of predictors will create a better prediction; as in linear regression, an outcome \(Y\) is predicted using several variables \(X_1, X_2, X_3\) ....
Model Types

• Determined we need to segment population of delinquent taxpayers to create models based on type of tax and taxpayer

• Delinquent accounts (taxpayer owes) vs. Delinquent return (return not filed)

• Individual 1040 SB and 1040 WI

• Business 941 and 1120

• Where case should be worked (ACS vs. Field)
Model Types

- Examples of predictive analytics:
  - Bankruptcy
  - Currently not Collectible
  - Full Payment
  - Installment Agreement
Model Scores

• All Model Scores Range from 0.0 to 1.0 like any correlation coefficient
• All model scores (BNK, CNC, Abatement, Full Pay, IA) are calculated and stored in Collection Inventory Delivery System for later analysis
• The model scores are used to determine case prioritization
• Compliance rules are used to determine case routing
Thresholds

• If a case receives a currently not collectible prediction it will be routed to end and shelved

• We can set the threshold such that a certain percentage of the population is filtered off depending on resources

• A case predicted to full pay will be routed and prioritized in ACS or Field Collection
Summary Observations

• Full Pay models are the strongest followed by installment agreements, bankruptcy and currently not collectible

• Individual (IMF) models are generally better than business (BMF) but not a huge difference

• Example of popular IMF Modeling variables:
  • Home mortgage interest
  • Total Positive Income
  • Total of all modules due for the entity
Risk Coding

- Work in the queue and field is assigned a risk code:
  - High
  - Medium
  - Low
- Inventory delivery system also projects case complexity
- Goal is to assign high risk work first
- “Compliance” is a variable used in the assignment of a risk code
- Example: Current inventory makeup is about 85% high risk, 12% medium, 3% low
Automated Enforcement Programs

- State Income Tax Levy Program
- Alaska Permanent Fund Dividend Program
- Federal Payment Levy Program
- Automated Collection System Levies
- Integrated Collection System Levies
- Automated Lien System
State Income Tax Levy Program

- Automated program that levies the state income tax refunds of taxpayers who owe a federal tax liability
- IRS and states sign a Memorandum of Understanding
- Currently, 36 states and the District of Columbia participate (of the 42 state income taxing agencies)
- SITLP electronic levy files are issued to states via Tumbleweed SDT. The states match their income tax refund database against the IRS levy file.
State Income Tax Levy Program

- SITLP is a “post levy” notice program. Collection Due Process notice is issued after levy proceeds have been received.

- State agencies also send taxpayers a notice advising them that their state refund has been levied.

- In 2013 taxpayers residing in bordering states were added to each state’s levy file.

- Currently the IRS is in the process of converting all SITLP participating states method of payment to the Electronic Federal Tax Payment System (EFTPS).
Alaska Permanent Fund Dividend Levy Program

- Automated program that levies the Permanent Fund Dividend (PFD) payments of Alaska residents who owe a federal tax liability

- Matches IRS database of delinquent taxpayers against a database of Permanent Fund Dividend (PFD) applicants.

- A levy file is transferred electronically to the State of Alaska.
Alaska Permanent Fund Dividend Levy Program

- IRS provides Collection Due Process rights prior to levy
- Alaska also provides notice advising taxpayers that their PFD payment was levied by the IRS
- In FY2014 the Electronic Federal Tax Payment System (EFTPS) is being expanded to include the AKPFD
Treasury Offset Program

• Treasury Offset Program (TOP) is a centralized offset program administered by the Bureau of the Fiscal Service (BFS) to collect delinquent debts owed to federal agencies and states.

• TOP offsets federal tax refund payments to payees who owe delinquent state income tax obligations. Forty states and the District of Columbia currently participate.
Treasury Offset Program

• TOP also offsets federal tax refund payments who owe delinquent unemployment insurance compensation debts due to fraud or a person's failure to report earnings.

• States submit delinquent child support obligations to the U.S. Department of Health and Human Resources, which in turn submits the debts to TOP for collection through the offset of federal tax refund and other eligible payments.
Federal Payment Levy Program

• Automated collection enforcement tool implemented in 2000 with the BFS

• FPLP levies 100% of federal contractor/vendor payments and 15% of the following payments: federal employee salaries and retirement pension income; certain Social Security Administration (SSA) benefit income; Railroad Retirement Board (RRB) benefits and Medicare provider payments.
Federal Payment Levy Program

• Prior to levying a SSA payment, FPLP uses a two-notice process to mitigate the impact on the taxpayer. A statutory Collection Due Process notice is issued first. If the taxpayer does not respond to that notice, then FPLP issues a Final Notice Before Levy on Social Security Benefits.

• Uses FPLP Low Income Filter for SSA and RRB beneficiaries based on 250% of the Health and Human Services Poverty Level Guidelines.
ACS Systemic Levy Program

• ACS systemically analyzes cases that meet levy criteria
• The system then generates the levies that are printed from a centralized print site in Detroit
• The volume of levies is adjusted regularly depending on resources to respond to levies
• Zero to several thousand are printed weekly
• No hands-on employee involvement to issue levies
Integrated Collection System (ICS)

• ICS is the system used by field revenue officers to work cases
• Case histories are maintained on ICS
• Most case actions including levies are generated through ICS
• Levies are printed locally for mailing or personal service
• ICS computes statutory accruals
Automated Lien System (ALS)

- Creates and maintains Notice of Federal Tax Lien (NFTL) documents for filing in over 3,600 state and local jurisdictions
- Receives NFTL filing requests from ACS and ICS, as well as direct input
- Monitors and posts recording information
- Conduit for billing and payment to filing jurisdictions
Automated Lien System (ALS)

- Initiates issuance of Collection Due Process (CDP) letters
- Maintains the status of the NFTL (filed, re-filed, released, withdrawn, expired)
- Fulfills the legal obligation to release liens as appropriate
- About 600,000 liens have been filed in FY 2013
- Most work is done through the Centralized Lien Unit in Cincinnati
Installment Agreements

- Regular
  - Taxpayer mails monthly payment

- Direct Debit Installment Agreements
  - Automatically withdrawn from taxpayer’s checking account

- Payroll deduction agreements
  - Employer withholds and sends to IRS
Online Payment Agreements

• Available on IRS.gov
• Click on:
  • Tools
  • Online Payment Agreement Application

• Keyword search:
  • Payment agreement
  • Online Payment Agreement
  • Online Payment Agreement Application
  • Installment agreement
OPA Conveniences

• 3 easy steps
• Safe and secure
• Extended hours and weekends
• No bill? No problem!
• No paper work
• No detailed financial information
• No calling or visiting an IRS office
Online Payment Agreement Application

You can avoid unnecessary penalties and interest by paying your taxes in full and on time. This application will allow you or your authorized representative (Power of Attorney) to apply for an installment agreement if you cannot pay your taxes in full. Learn more about the Online Payment Agreement Application.

1. Determine your eligibility...
   - You owe $50,000 or less in combined tax, penalties and interest.
   - You have filed all required tax returns.

2. Gather your information...
   - Social Security number or Individual Tax ID number;
   - Date of birth;
   - Caller ID number, shown at the top of your recent notice;
   - PIN, if you have one. If not, you need your AGI;

3. Submit your application!
   - Apply for a payment agreement
   - Receive immediate notification of approval.
   - Consider system availability:
     - Mon-Fri, 6am-12:30am, ET
     - Sat, 6am-10pm, ET
     - Sun, 6pm-midnight, ET
Additional OPA Application Functions

• Full pay within 10 days

• Extension of time to pay (up to 120 days)

• Change existing agreements payment
  • due dates and/or amounts

• Change existing agreement type from regular to payroll deduction or direct debit
OPA Qualified Taxpayers

- Individuals with any type of tax (Form 1040, Trust Fund Recovery Penalty, etc.)
- Balance $50,000 or less (combined tax, penalties and interest)
- All required returns filed
- The agreement will full pay within 72 months
Additional Requirement

If aggregate balance $25,001 - $50,000

Then Direct Debit Installment Agreement is required
Advantages

• Notice of Federal Tax Lien impact

• Practitioner access for clients

• Immediate notification of approval

• Direct Debit agreements save money
  • Reduced user fee
  • No postage
Advantages:
Notice of Federal Tax Lien

- If not filed:
  - may avoid NFTL filing

- If already filed:
  - establish DDIA
  - make 3 consecutive payments
  - can request a withdrawal
Future OPA Enhancements

- Additional users: businesses
- Reduce amount of information requested

- Improve:
  - Navigation
  - Page presentation
  - Reduce number of pages
Offer in Compromise Pre-Qualifier Tool

- Offer in Compromise (OIC):
  - Settle tax debt for less than the full amount
- OIC Pre-Qualifier Tool:
  - Self determine: Qualify for an OIC?
- Filed OICs are investigated at centralized OIC sites or in field locations
Taxpayer Usage

• Launch date: January 30, 2013

• Usage to date: over 550,000 visitors
Offer In Compromise Pre-Qualifier

Status

Use this tool to see if you may be eligible for an offer in compromise. Enter your financial and tax filing status to calculate a preliminary offer amount. We make our final decision based on your completed OIC application and our associated investigation. This tool should only be used as a guide. Although it may show you can fully pay your liability, you may still file an offer in compromise and discuss your individual financial situation with the IRS.

If you reside in a U.S. Territory, foreign country, or are military personnel using an APO or FPO address the OIC Pre-Qualifier is not applicable for your situation. Please proceed to the application in the Offer in Compromise Booklet.

Are you in an open bankruptcy proceeding?
- Yes
- No

Have you filed all required federal tax returns?
- Yes
- No

Have you made all required estimated tax payments?
- Yes
- No
- N/A

If you are self-employed and have employees, have you submitted all required federal tax deposits?
- Yes
- No
- N/A
Basic Information

Enter information about your location, household and tax debt.

ZIP or postal code: 11738

State: New York

County: Suffolk County

Total members of household: 3

Total members of household 65 years or older: 0

Total IRS tax debt (whole dollars): $12,500

What is the most recent tax year you are requesting to compromise? (For example, if you owe 1040 taxes for 2007, 2008 and 2009, enter 2009)

2011
Assets

Enter information about your assets (in whole dollars). Your equity is the value of your asset minus what you still owe on the asset.

Total bank balances (checking, savings, money market, CDs, etc.)
$575

Home market value
$0

Home loan balance
$0

Vehicle 1 equity
$1,200

Vehicle 2 equity
$1,000

Retirement account equity (401k, IRA, etc.)
$0

Other real property (rental, business, land, timeshare, etc.)
$0

Other asset equity (airplane, motorcycle, recreational vehicle, etc.)
$0

Stocks, bonds and other investments
$0

Miscellaneous (art, coin and gun collections, etc.)
$0
Income

Offer In Compromise Pre-Qualifier

Enter information about your monthly household income (in whole dollars).

Gross wages
$5,520

Interest and dividends
$0

Distributions from partnerships, sub- S corporations, etc.
$0

Net rental income
$0

Net business income
$0

Child support received
$0

Alimony received
$0

Additional income
$0
Expenses

<table>
<thead>
<tr>
<th>Expenses Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent or mortgage and utilities</td>
<td>$1,450</td>
</tr>
<tr>
<td>Vehicle 1 loan or lease payment</td>
<td>$399</td>
</tr>
<tr>
<td>Vehicle 2 loan or lease payment</td>
<td>$210</td>
</tr>
<tr>
<td>Vehicle operating costs (gas, repairs, etc.)</td>
<td>$544</td>
</tr>
<tr>
<td>Total vehicles owned</td>
<td>2</td>
</tr>
<tr>
<td>Public transportation costs</td>
<td>$0</td>
</tr>
<tr>
<td>Health insurance premiums</td>
<td>$370</td>
</tr>
<tr>
<td>Federal, state and local taxes (Enter a 0 if no taxes)</td>
<td>$1,050</td>
</tr>
<tr>
<td>Court-ordered payments (child support, alimony, etc.)</td>
<td>$327</td>
</tr>
<tr>
<td>Child dependent care costs</td>
<td>$0</td>
</tr>
<tr>
<td>Life insurance premiums</td>
<td>$0</td>
</tr>
</tbody>
</table>
Proposal

Offer In Compromise Pre-Qualifier

Based on the following information you entered:

- Tax debt: $12,500
- Total available equity: $2,335
- Monthly income: $5,520
- Typical month’s expenses: $4,390
- Total remaining income: $0

Select Your Option

You may be eligible for an offer in compromise if you submit one of the following offers.

Option 1: Pay $2,335 within five months

Option 2: Pay $2,335 over a 6-24 month period

These are your estimated payment options. Enter one of these options in your official Offer in Compromise.

Prepare Your Offer in Compromise

Review the OIC Booklet, complete the required forms (Form 656 / Form 433-A) and submit an offer for consideration that is consistent with your ability to pay. The amount offered must be more than zero. We make our final decision based on your completed paperwork and our associated investigation.

Consider Exceptional Circumstances

If you believe you have exceptional circumstances that would justify repayment of an amount less than the offer amount shown above, file an OIC so we have a full description of your circumstances. We make our final decision based on your completed paperwork and our associated investigation. Once completed, you can discuss your situation with us.
## Monthly Expenses

### Offer In Compromise Pre-Qualifier

Based on the following information you entered:

<table>
<thead>
<tr>
<th>Expense Type</th>
<th>Your Entry</th>
<th>Allowable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax debt:</td>
<td>$12,500</td>
<td></td>
</tr>
<tr>
<td>Total available equity:</td>
<td>$2,335</td>
<td></td>
</tr>
<tr>
<td>Monthly income:</td>
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<td></td>
</tr>
<tr>
<td>Typical month’s expenses:</td>
<td>$4,390</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expense Type</th>
<th>Your Entry</th>
<th>Allowable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food, clothing and miscellaneous</td>
<td>---</td>
<td>$1,234</td>
</tr>
<tr>
<td>Rent or mortgage and utilities</td>
<td>$1,450</td>
<td>$1,450</td>
</tr>
<tr>
<td>Vehicle 1 loan or lease payment</td>
<td>$399</td>
<td>$399</td>
</tr>
<tr>
<td>Vehicle 2 loan or lease payment</td>
<td>$210</td>
<td>$210</td>
</tr>
<tr>
<td>Vehicle operating costs (gas, repairs, etc.)</td>
<td>$544</td>
<td>$544</td>
</tr>
<tr>
<td>Public transportation costs</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Out-of-pocket medical expenses</td>
<td>---</td>
<td>$180</td>
</tr>
<tr>
<td>Health Insurance Premiums</td>
<td>$370</td>
<td>$370</td>
</tr>
<tr>
<td>Federal, state and local taxes</td>
<td>$1,050</td>
<td>$1,050</td>
</tr>
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<td>Court-ordered payments (child support, alimony)</td>
<td>$367</td>
<td>$367</td>
</tr>
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<td>Child/dependent care costs</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Life Insurance premiums</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Total remaining income: $0
Results: Not Qualified

You do not qualify for an offer in compromise based on the information you provided. If you believe you have exceptional circumstances, such as serious illness, where paying your taxes in full might impair your ability to provide for yourself and your family, review the Offer in Compromise Booklet, complete the required forms (Form 656 / Form 433-A) and submit your offer.

You may check the information you entered by using the Previous button.

You may qualify for an installment agreement, which allows you to make monthly payments toward your debt.

For more information about your payment options, go to Make a Payment.