

The Effectiveness of the Notice of Federal Tax Lien and Alternative IRS Letters in Resolving Individual Tax Debt

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I. Introduction

When taxpayers fail to pay Federal tax assessments, a lien is established to give the government certain rights to collect the delinquent amounts. Typically, only the Internal Revenue Service (IRS) and the taxpayer are aware of the lien. However, upon paying a fee, the IRS can file a notice of Federal tax lien (NFTL) to make the lien public information. The NFTL is an important collection tool in resolving delinquent tax accounts. The NFTL helps to secure the government's right to the value embodied in the taxpayer's assets and provide creditors with important information on the credit worthiness of taxpayers. However, U.S. legislation, IRS policy, and IRS budgetary challenges can affect the degree to which this collection tool is used. Concerns exist about the potential for NFTLs to make it harder for taxpayers to pay their debts to the IRS. One possibility is that publicizing the lien can restrict their access to credit, which may limit the growth potential of their businesses and make it harder for them to earn enough money to pay their tax debts. Given the potential costs and benefits of NFTLs to the IRS, it is important to assess how well NFTLs accomplish their goals, and whether alternative treatment tools might better serve taxpayers and the IRS.

The IRS has used NFTLs for decades, but this use has varied over time following various changes to budgets, tax laws, and policies. For example, through the "Fresh Start" initiative in 2011, IRS intended to help delinquent taxpayers pay back taxes and avoid tax liens. Under that initiative, the IRS adjusted the thresholds of outstanding balance due that trigger the filing of an NFTL. The threshold for NFTL determinations was increased from \$5,000 to \$10,000, and the threshold for NFTL filing was increased for cases that are systemically transferred from the IRS's Automated Collection Sites (ACS) to the Field Collection Queue. Turk, Iuranich, Orlett, and Datta (2015) used the policy change for the ACS systemic transfers as a natural experiment to estimate the impact of the NFTL on resolving unpaid tax debt. Our paper extends the research on this population using a randomized field experiment of filing the NFTL versus other less intrusive treatments for individual taxpayers.

The field experiment follows approximately 13,000 individual taxpayers with unpaid tax assessments that were transferred from the IRS ACS to the field queue in the spring of 2016. These taxpayers were randomly assigned to one of four treatment groups or a control group and we tracked how their balance changed over the next 2 years, from April 2016 to April 2018. Taxpayers in the study received one of the five following treatments when the case was transferred: 1) an NFTL was filed; 2) Letter 5696C was sent; 3) Letter 5701C was sent; 4) Letter 5701C was sent, followed monthly by notice 5702C for 9 months; or 5) No contact (control group). In this paper, we estimate the impact of each treatment on the taxpayer's resolution of the outstanding balance, at both 1 year and 2 years after the start of the experiment. We model both the likelihood that the taxpayer will fully or partially resolve their outstanding balance, and the expected dollar change in the balance.

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II. Background

The IRS's Fresh Start initiatives of 2011 increased the balance due threshold for NFTL determinations from \$5,000 to \$10,000, which led to a smaller number of NFTLs being issued. IRS Collection Policy and ACS also increased the threshold for NFTL filing on systemic transfers from ACS to the collection Queue. To assess the impact of additional threshold changes, given concerns about the possible disadvantages of NFTLs, the IRS designed a field experiment to study the potential outcome of further changes, and to consider alternative treatment tools for affected taxpayers.

A. *Prior Research*

There are numerous studies related to the NFTL and the impact on taxpayer payment compliance. Prior studies have examined the effects of the NFTL on taxpayers' filing compliance, changes to their income, as well as impacts on payment compliance. See Turk, *et al.* (2015) for a summary of prior research related to NFTLs. A common finding is that the NFTLs lead to larger reductions in outstanding balance due and more case resolutions. Prior studies are less conclusive about whether NFTLs lead to any additional indirect or deterrent effects on taxpayer compliance. They do provide some support for the idea that NFTLs may have some negative impact on taxpayers, including by reducing credit scores, although recent changes to credit scoring models may mitigate this potential consequence. One example is National Taxpayer Advocate (2011), which estimated that taxpayers receiving an NFTL were slightly less likely to file subsequent returns and earned about 7 percent less income in the years following the filing of the lien. While our study remains focused on the direct impact of NFTLs on taxpayers' outstanding tax debts, it is one of the first to use randomized controls for a broad group of taxpayers, and to test NFTL alternatives.

B. *Alternative Treatments*

The pilot study randomly divides the subject population into five groups: a control group with no additional IRS contact; an NFTL group that receives a traditional tax lien notice; and three NFTL alternative groups that receive different notices about their tax debts. These notices were developed specifically for the pilot study. They remind taxpayers of their outstanding balance due (including penalties and interest), and provide instructions for making payments, arranging offers-in-compromise, contacting the Taxpayer Advocate Service (TAS) for assistance, and other possible resolutions. In general, they provide more detail than traditional ACS letters, such as letter LT16, which instruct the recipient to contact the IRS as soon as possible regarding their overdue tax issue. The new notices include two main variations—letter 5696C, and letter 5701C, both of which are intended to be delivered to taxpayers once for the year of the pilot study, but using different language and structure. Both include specific tax, penalty, and interest amounts. Each letter was assigned to one of the test groups, and a third group received the 5701C once, but in addition received another reminder letter (5702C) each month for 9 more months. The 5702C is like the 5701C, but also references the prior letter, indicating the matter remains unresolved. See Figures 1–4 in the Appendix for examples of the pilot letters and the traditional LT16 letter.

III. Methodology and Results

A. *Study Design and Data*

The study population consists of Individual Master File (IMF) taxpayers with a balance due between \$10,000–\$25,000 at the start of the pilot in April 2016, who would have been eligible for an NFTL filing, and were under consideration for transfer from ACS to the IRS Field Collection Queue. A total of 13,201 taxpayers were randomly selected for the study and then randomly assigned to one of five pilot groups using the last two digits of their taxpayer identification number (TIN).

TABLE 1. Number of Taxpayers by Pilot Group

Pilot Group	Treatment	Number of Taxpayers Selected*
Group 1	File traditional NFTL	2,996
Group 2	Issue Collection Alternative Letter 5696C	2,564
Group 3	Issue new Reminder Notice 5701C	2,571
Group 4	Issue new 5701C first, then new Monthly Reminder 5702C for up to 9 months if no response	2,583
Group 5	Control group, no additional action taken	2,487
Total		13,201

* The number of taxpayers randomly assigned to the five groups were not roughly equal because cases were pulled on a weekly basis until approximately 2,500 were assigned to each pilot group. Group 1 may be somewhat larger than the other groups because the last two digits of the TINs assigned to that group were more common in the final weeks of the sample selection process. Also, cases undergoing a taxpayer delinquency investigation could not be included in the letter treatment groups, though they weren't removed from the NFTL treatment group.

Tax information for the study group during the year of the pilot was collected from the Compliance Data Warehouse (CDW), primarily the Account Receivable Dollar Inventory (ARDI) tables. The key variable we are measuring to assess the effectiveness of the different treatments is the change in the balance due over the course of the year, which is the entity balance (EMODBAL) from the ARDI tables. To find the change in the balance due, we check the entity balance at the start of the pilot (April 2016) and subtract it from the balance 1 year later at the end (April 2017), also removing any initial module² balances on new assessments from previously identified delinquent returns. This is done to avoid characterizing an improvement in compliance (filing a delinquent return) as a worsening of compliance (increase in what they owe). The NFTL is in effect until the entire balance is resolved, and since prior research has suggested the NFTLs may continue to provide observable benefits after 12 months, we also check for residual effects that occur beyond the year of the pilot. To do this, we check the entity balance an additional year past the end of the pilot, making a further adjustment for any additional assessments from returns prior to the start of the pilot that take place during the second year. In addition to the original model for the first year, we then model both the change from the end of the first year to the end of the second year (year two), and the change from the start of the pilot to the end of the second year (full 2 years).

Assessing the study population at the beginning of the pilot, we see the taxpayers represent a variety of different income types. Most have received prior ACS contacts, and may have modules that have been in the system for 3 or more years.

TABLE 2. Major Source of Income at Start of Pilot by Pilot Group

Pilot Group	Treatment	Share of Group Having Primary Income Type			
		Wages	Self-Employment	Investment	Other
Group 1	NFTL	25.8%	35.4%	18.0%	20.8%
Group 2	Letter 1 (5696C)	29.2%	37.1%	16.5%	17.2%
Group 3	Letter 2 (5701C)	29.1%	38.2%	16.3%	16.5%
Group 4	Letter 2 monthly (5702C)	30.2%	37.4%	16.9%	15.6%
Group 5	Control	26.1%	34.9%	15.6%	23.4%
Total		28.0%	36.6%	16.7%	18.7%

² A tax module is a record of tax data for a specific taxpayer covering only one tax period.

TABLE 3. Key Statistics at Start of Pilot

Population Statistics	N=13,201
Percent with Balance Due as major source of assessment	49.7%
Percent with prior ACS letter contact (within 1 year of start of pilot)	57.2%
Average number of ACS modules	2.6
Median ratio of tax debt to annual income	0.32
Mean age of oldest module (days)	1,341
Mean time in ACS (days)	220

B. Difference-in-Difference Analysis

Because taxpayers selected for the study were randomly assigned to one of the five pilot groups, simple differences between the outcomes of the treatment groups and the control group can estimate average treatment effects. Having calculated the change in balance due, we split the study group into taxpayers who have recently received ACS letters and those who haven't, to help control for the possibility that the main impact of the treatments is that they represent any communication with the taxpayer on the part of the IRS. If prior letters alone appear to be helping to reduce the balance due, we want to ensure that we remove their impact from the treatment estimate. We also remove cases in status 3, indicating an ongoing delinquent return (TDI) investigation, which could also complicate the interpretation of the results. With the population split, we can calculate the average change in balance due for each pilot group, and estimate the impact of prior letters by subtracting the difference in the change observed between the two control subgroups. Removing this difference from the average change for the pilots that had prior letters gives an estimate of the treatment effect relative to the control group.

Table 4 compares the average changes in balance due over the year of the pilot, controlling for the impact of any prior ACS letter contacts.

TABLE 4. Difference-in-Difference Change in Balance Due (Status 3 Cases Removed)

Item	Group 1 NFTL	Group 2 Letter 1	Group 3 Letter 2	Group 4 L2 Monthly	Group 5 Control
WITHOUT Prior ACS Letter					
A. Number of cases	977	1,205	1,191	1,231	942
B. Total balance at start (\$ thousand)	\$24,507	\$21,738	\$20,681	\$21,951	\$17,604
C. Change in balance (\$ thousand)	-\$622	\$291	\$613	\$347	\$614
D. Cases with reduction in balance	400	386	401	424	300
E. Average change in balance [C/A]	-\$637	\$242	\$515	\$282	\$652
F. Average treatment effect [Ei-E5]	-\$1,289	-\$410	-\$137	-\$370	
WITH Prior ACS Letter					
G. Number of cases	1,578	1,358	1,380	1,347	1,116
H. Total balance at start (\$ thousand)	\$31,440	\$27,118	\$26,412	\$26,087	\$21,070
J. Change in balance (\$ thousand)	-\$1,905	\$23	\$423	\$418	\$413
K. Cases with reduction in balance	656	470	454	469	339
L. Average change in balance [J/G]	-\$1,207	\$17	\$307	\$310	\$370
M. Avg. treatment effect w/ letter [Li-L5]	-\$1,577	-\$353	-\$63	-\$60	
N. Portion due to prior ACS letter [L-E]	-\$570	-\$225	-\$208	\$28	-\$282
O. Portion due to treatment alone [M-N]	-\$1,007	-\$128	\$145	-\$88	

For cases without prior ACS letters, all four treatment groups appear to be associated with decreases in balance due compared with the control group (line F), though the decreases for the NFTL group were at least three times larger than for the three letter treatments. This suggests that NFTLs may be more effective at inducing the payment of outstanding tax debts. This is also the case when the taxpayer has been sent a prior ACS letter (line M), though the effect of the prior letter (line N) appears to be greater when the taxpayer then receives an NFTL, but is diminished when he receives one of the letter-based treatments. In fact, if the taxpayer received a prior ACS letter and then receives Letter 2, on average that subsequent letter appears to induce an *increase* in the taxpayer's debt balance (cell O3). Likewise, the combination of a prior ACS letter and the series of letters included in Treatment Group 4 seems to have led to an *increase* in the taxpayer's debt balance (cell N4), even though on average either set of letters by themselves would have *reduced* the debt balance somewhat (see cells N5 and E4).

C. Case Status After 2 Years

Another way of tracking differences across the pilot groups is to compare the final status of the cases after 2 years. Table 5 provides a percentage breakdown of case status after 2 years for each pilot group. The largest category across all pilot groups are cases in the field collection queue or "shelved." Many cases where the taxpayer has worked with the IRS to resolve their case end up being closed fully resolved, placed into an Installment Agreement, or be designated as "Currently Not Collectible" (CNC). Consistent with the difference-in-difference results, NFTLs appear to have the highest likelihood to have resolved their balance due, and are also the second-most likely to have reached an installment agreement, just after the monthly letter treatment. However, they are also about 50 percent more likely to be in CNC status after 2 years compared to the other pilot groups.

TABLE 5. Percentage in Various Case Statuses 2 Years After Start of Pilot, by Treatment Group

Item	Group 1 NFTL	Group 2 Letter 1	Group 3 Letter 2	Group 4 L2 Monthly	Group 5 Control
Queue or Shelved	38.6%	43.3%	43.9%	45.8%	45.2%
Installment Agreement	14.7%	13.2%	13.7%	15.1%	12.3%
Resolved	14.3%	10.3%	10.9%	11.0%	8.3%
ACS or Field	19.7%	22.9%	20.5%	17.5%	24.1%
CNC (other than shelved)	3.3%	2.6%	2.4%	2.3%	2.2%
Other	9.4%	7.8%	8.6%	8.3%	7.8%

D. Regression Modeling Framework

In addition to simple differences, we also apply regression models to better understand the impact of the different treatments on the change in balance due. Specifically,

- Let b_1 be the natural log of the entity balance (EMODBAL) for taxpayer i at the end of the pilot (1 year);
- Let b_0 be the natural log of the entity balance at the start of the pilot; and
- Let α_i be the sum of the initial module balances on new assessments on previously identified delinquent returns that are assessed during the 1-year pilot period.

The first-year change in the balance, the outcome variable for our first-year model, then becomes:

$$\Delta b_1 = b_1 - b_0 - \alpha_i$$

We model the change in the balance as

$$\Delta b_1 = \beta X + \beta_1 T_1 + \beta_2 T_2 + \beta_3 T_3 + \beta_4 T_4 + e$$

where:

- T_1 is a dummy for the filing of the NFTL;
- T_2 is a dummy for letter 1 (letter 5696C, pilot 2);
- T_3 is a dummy for letter 2 (letter 5701C, pilot 3);
- T_4 is a dummy for the monthly reminder letter (letter 5702C, pilot 4); and
- X is a vector of control variables, including the following:
 - Age of the oldest module in ARDI;
 - Length of time in Automated Collection System (ACS);
 - Ratio of annual income to initial balance due (*Total Positive Income (TPI)/ b_0*);³
 - Dummy for a prior NFTL;
 - Dummies for major sources of assessment (delinquency, math errors, balance due, etc.);
 - Dummies for type of taxpayer (wages only, Schedule C, etc.);
 - Number of modules on ARDI;
 - Dummy for missing the first letter 5701C for group 4 (463 group 4 cases missed the initial letter for technical reasons);
 - Dummy for previous TDI assessments made within 1 year before the start of the pilot; and
 - Dummies for taxpayers in TDI status 2 and status 3.

Treatments with negative estimated parameters reflect a balance due declining by more than it would have had the IRS taken no action (the control group), while a positive coefficient would suggest the treatment resulted in the debt increasing over the year of the study.

To extend the analysis beyond the initial year of the pilot, we add data for the second year as follows:

- Let b_2 be the natural log of the entity balance (EMODBAL) for taxpayer i at 1 year after the end of the pilot (2 years total)
- Let α_2 be the sum of the initial module balances on new assessments on previously identified delinquent returns that are assessed during the year following the end of the pilot (year two)

The outcome variable for the second-year model becomes

$$\Delta b_2 = b_2 - b_1 - \alpha_2$$

while the outcome for the full 2-year model becomes

$$\Delta b_2^* = b_2 - b_0 - \alpha_2 - \alpha_1$$

The extended models follow the structure and controls used in the first-year model, with some adjustments to reflect changes over time. In addition, the second-year model includes the following outcomes from the first year as regressors for the second year:

- Dummy for entering an installment agreement (IA) over the course of the pilot; and
- Dummy for being in Currently Not Collectible (CNC) status, excluding shelved cases.

See Table A1 in the appendix for a full list of variable names and descriptions used in the three models.

In addition to the linear model, we also test an ordinal logistic model, grouping each taxpayer into one of three categories: (1) balance due increased over the study period, (2) balance due decreased partially (or stayed

³ b_0 was set to \$1 when missing, to prevent division by zero, and an additional dummy was used to indicate and control for cases with zero income.

the same) over the study period, and (3) balance due fully paid by the end of the study period. Mathematically, we define the ordinal variable R_1 as

$$R_1 = \begin{cases} 0, & \text{if } b_1 > b_0 + \alpha_1 \\ 1, & \text{if } b_1 \leq b_0 + \alpha_1 \text{ and } b_1 \neq 0 \\ 2, & \text{if } b_1 = 0 \end{cases}$$

We assume that the probability of observing a particular value of R_1 is determined by:

$$P(R_1 = 2) = \Phi(\alpha X + \alpha_1 T_1 + \alpha_2 T_2 + \alpha_3 T_3 + \alpha_4 T_4)$$

$$P(R_1 = 1) = \Phi(\alpha X + \alpha_1 T_1 + \alpha_2 T_2 + \alpha_3 T_3 + \alpha_4 T_4 + c) - \Phi(\alpha X + \alpha_1 T_1 + \alpha_2 T_2 + \alpha_3 T_3 + \alpha_4 T_4)$$

$$P(R_1 = 0) = 1 - \Phi(\alpha X + \alpha_1 T_1 + \alpha_2 T_2 + \alpha_3 T_3 + \alpha_4 T_4)$$

where Φ is the logistic Cumulative Density Function (CDF).

Similarly, for the second-year model, we construct an outcome R_2 as:

$$R_2 = \begin{cases} 0, & \text{if } b_2 > b_1 + \alpha_2 \\ 1, & \text{if } b_2 \leq b_1 + \alpha_2 \text{ and } b_2 \neq 0 \\ 2, & \text{if } b_2 = 0 \end{cases}$$

And R_2^* as an outcome for the full 2-year model as:

$$R_2^* = \begin{cases} 0, & \text{if } b_2 > b_0 + \alpha_2 + \alpha_1 \\ 1, & \text{if } b_2 \leq b_0 + \alpha_2 + \alpha_1 \text{ and } b_2 \neq 0 \\ 2, & \text{if } b_2 = 0 \end{cases}$$

E. Regression Results

1. Ordinal Logistic Models

Modeling resolution, R_1 , as an ordinal response variable, we hypothesize positive estimated treatment effects, since cases with higher R_1 values are paying off more of their debts over the study period. If they are effective, the various treatments should increase the likelihood of fully or partially resolving by the end of the study, though some may have a larger impact than others.

Selected parameter estimates from the ordinal logistic fit to the response variable R_1 are reported in Table 6. We list the key dummy variables identifying the different pilot groups (NFTL/Letter1/Letter2/Letter2_monthly), and whether taxpayers received ACS letters in the year prior to the year of the pilot (LT11/LT16/LT_other). Full results with all additional control variables are presented in the appendix. The proportional odds logistic regression (ordinal regression) has two different intercepts for the two odds: (a) $P(R_1=2)$ vs. $P(R_1=0)$; and (b) $P(R_1=1)$ vs. $P(R_1=0)$. The intercepts are different and both are significant. Most of the estimated coefficients on other key variables are also significant, particularly those on the treatment effects, which also appear to have the expected positive effect on the likelihood of full or partial resolution in the first year (R_1 category). The NFTL treatment appears to be the most significant and its coefficient is also substantially larger than the estimates for the other treatments. The impacts of prior ACS letters are significant as well, although they are negative, indicating that for the test population, receiving these letters made it less likely that taxpayers would pay down some or all their tax debts over the course of the pilot. Taxpayers who received these letters

and responded to them would not have been part of our sample population, since they would have been diverted to other treatment streams or the debts were resolved. The taxpayers who remain in ACS after contact and are transferred may be less likely to have the means or the willingness to pay down their tax debts. This explanation is consistent with the negative estimate on prior ACS treatments. To further explore the possibility that taxpayers receiving these letters may react differently to the treatments, we also tested interaction terms between the traditional ACS letters and the treatment variables, but this didn't significantly impact the results.

Extending the time frame for the analysis to 2 years, we generally see the same pattern as we had for the first year, with positive estimated coefficients on the treatments and negative coefficients for the prior ACS letters. There are some changes in significance levels as well, but the relative magnitude of the estimated coefficients is generally consistent. Notably, the NFTL coefficient remains roughly three to five times larger than those on the other treatments, suggesting it has the strongest influence on the odds that a taxpayer will resolve their debt. The NFTL coefficient did decrease somewhat with the longer time period, though this may be partly attributed to the different adjustment for new assessments on prior delinquent returns, which may make it less likely that the final change in balance due would decrease and lead to fewer observations with $R_2^*=1$ or $R_2^*=2$.

We also model outcomes for R_2 focusing only on changes in the second year, excluding cases that fully paid off their balance by the end of the first year ($R_1=2$). For this group, most of the variables no longer appear significant, suggesting that most of the influence the treatments exert on the likelihood of belonging to different R categories occurs during the first year.

We further explore the proportional odds assumption of the ordinal logistic model. The proportional odds assumption underlying these ordinal models assumes the difference between $R=1$ and $R=0$ is the same as the difference between $R=2$ and $R=0$, and when the test fails and this is not the case, the model may be misspecified. Though the overall model with all covariates fails this assumption, restricting the test to focus only on the equality of the treatment coefficients across outcome categories suggests the proportional odds assumption holds for the randomized treatments. Since the assumption appears valid for the key variables in our ordinal model, the estimated treatment effect should not be impacted by any misspecification, though we test other specifications to provide additional support for our conclusions. Test statistics for the proportional odds assumption are shown in Table 7.

TABLE 6. Selected Parameter Estimates for Ordinal Logistic Model[†]

Response Variables: Year One: R_1 , Full Two Years: R_2^ , Year Two: R_2*

Variable	Year One (b_1-b_0)	Two Years (b_2-b_0)	Year Two (b_2-b_1)
	N=13,201	N=13,201	N=12,352
Intercept (R=2 vs. R=0)	-2.554*** (0.134)	-1.787*** (0.125)	-2.396*** (0.135)
Intercept (R=1 vs. R=0)	-0.421*** (0.131)	-0.011 (0.124)	-0.101 (0.132)
NFTL	0.503*** (0.059)	0.425*** (0.056)	0.047 (0.062)
Letter 1 (5696C)	0.100 (0.063)	0.119** (0.060)	0.038 (0.064)
Letter 2 (5701C)	0.110* (0.063)	0.107* (0.060)	-0.004 (0.064)
Letter 2_monthly (5702C)	0.162** (0.066)	0.186*** (0.062)	0.078 (0.066)
ACS Letter_LT11	-0.139** (0.064)	-0.146** (0.061)	-0.152** (0.068)
ACS Letter_LT16	-0.137*** (0.050)	-0.156*** (0.047)	-0.095* (0.052)
ACS Letter_other	0.001 (0.042)	-0.002 (0.041)	-0.062 (0.043)

[†] Standard errors in parentheses.

NOTES: *** indicates significance at the 0.01 level in a two-tailed Wald Chi-Square test

** indicates significance at the 0.05 level in a two-tailed Wald Chi-Square test

* indicates significance at the 0.10 level in a two-tailed Wald Chi-Square test

TABLE 7. Testing the Proportional Odds Assumption for Ordinal Logistic Models

Year One Model (R1)	Wald Chi-Square	Degrees of Freedom	P Value
Full Model	448.498	24	<0.0001
Treatments Only	2.506	4	0.644

2. Multinomial Logistic Models

As an alternative to the ordinal models, we used a generalized logistic fit, a multinomial model that runs two separate logistic regressions for the odds of R=2 vs R=0 and of R=1 vs R=0. Hence, each variable in the regression has two separate coefficients, one for the R=2 model and another for the R=1 model. Table 8 shows the output from the generalized logistic fit. For the Year One model, not all treatment effects are statistically significant, and it appears that the strongest predictors are the NFTL treatment and the prior letter LT16. The coefficients still have the expected sign as observed in the ordinal models, and the magnitudes are roughly equivalent with the ordinal model results, with the effect of NFTLs still appearing about three to five times larger than for the alternative treatments. Significance levels do change somewhat between the $R_1=2$ and $R_1=1$ models, and the $R_1=1$ coefficients are lower than the $R_1=2$ ones, suggesting that it's more difficult to predict a partial payment than a full payment.

Extending the window for the analysis to 2 years, and also considering the second year independently, we see results similar to what we observed with the ordinal models. The coefficient estimates drop somewhat for the 2-year model, and some of the letter significance levels change—most notably, all three letter treatments appear significant in the R=2 case. Their magnitude remains lower than the NFTL treatments, however, and except for the monthly letter group, they seem less useful at changing the likelihood of moving from the R=0 to the R=1 group. Looking at the second year on its own, most of the variables appear to lose their significance, although the NFTL treatment remains a strong predictor in the R=2 case.

TABLE 8. Selected Parameter Estimates[†] for Generalized Logistic (Multinomial) Models

Parameter	Year One Outcome (b_1-b_0) N=13,201		Two-Year Outcome (b_2-b_0) N=13,201		Year Two Outcome (b_2-b_1) N=12,352	
	$R_1 = 2$ (vs. 0)	$R_1 = 1$ (vs. 0)	$R_2 = 2$ (vs. 0)	$R_2 = 1$ (vs. 0)	$R_2 = 2$ (vs. 0)	$R_2 = 1$ (vs. 0)
Intercept	-1.119*** (0.257)	-0.803*** (0.145)	-0.458** (0.200)	U-0.693*** (0.146)	-0.727*** (0.258)	-0.621*** (0.147)
NFTL	0.885*** (0.119)	0.363*** (0.065)	0.705*** (0.095)	0.248*** (0.065)	0.440*** (0.133)	-0.100 (0.068)
Letter 1 (5696C)	0.238* (0.133)	0.075 (0.069)	0.190* (0.104)	0.100 (0.068)	0.211 (0.141)	-0.002 (0.069)
Letter 2 (5701C)	0.215 (0.134)	0.09 (0.069)	0.253** (0.103)	0.033 (0.068)	0.264* (0.139)	-0.073 (0.069)
Letter 2_monthly (5702C)	0.217 (0.139)	0.17** (0.071)	0.247** (0.108)	0.201*** (0.071)	0.281* (0.144)	0.041 (0.072)
ACS Letter_LT11	-0.217 (0.139)	-0.138** (0.07)	-0.233** (0.108)	-0.12* (0.069)	-0.184 (0.149)	-0.147** (0.073)
ACS Letter_LT16	-0.334*** (0.112)	-0.091* (0.054)	-0.302*** (0.086)	-0.089* (0.053)	-0.176 (0.116)	-0.075 (0.056)
ACS Letter_other	0.136 (0.086)	-0.043 (0.046)	0.053 (0.068)	-0.023 (0.047)	-0.067 (0.090)	-0.054 (0.047)

[†] Standard errors in parentheses

NOTES: *** indicates significance at the 0.01 level in a two-tailed Wald Chi-Square test

** indicates significance at the 0.05 level in a two-tailed Wald Chi-Square test

* indicates significance at the 0.10 level in a two-tailed Wald Chi-Square test

Given that the assignment to the different pilot groups was completely randomized, it is insightful to look at the marginal treatment effects; e.g., $P(R = 2 \mid \text{treatment}) - P(R = 2 \mid \text{control})$; $P(R = 1 \mid \text{treatment}) - P(R = 1 \mid \text{control})$, etc. Table 9 provides the calculated marginal effects of the four pilot treatments for the ordinal and multinomial models, both of which indicate that the NFTL has the greatest impact on shifting subjects to the fully paid or partially paid categories. Despite concerns about the assumptions underlying the ordinal models, they appear to yield marginal effect estimates close to those from the multinomial models.

In the multinomial fit for the first year, the percentage of subjects fully paying off their balances due is about 4.8 points higher for the group receiving an NFTL than the control. Similarly, the percentage of subjects who partially pay off their debts is 6.3 points higher when they receive NFTL than when they do not receive any treatment. Together, this suggests an 11.1 percentage point increase in taxpayers reducing their debt (fully or partially) if they are in the NFTL group compared to control, which is roughly double the impact of the next most effective treatment—the monthly letter, at 5.6. Following the pattern observed in the regression results, these estimates decrease slightly when modeled across 2 years, and substantially for the second year only. An exception to this is the monthly letter treatment, which is estimated to have a slightly larger impact when considering the second year at 6.9 points, though it wasn't always statistically significant in every model.

TABLE 9. Marginal Treatment Effects for Ordinal and Multinomial Models

Treatment		Marginal Effect Ordinal Models			Marginal Effect Multinomial Models		
Model	(vs. R=0)	R=2	R=1	R=1 or R=2	R=2	R=1	R=1 or R=2
Year 1 ($b_1 - b_0$) R_1	NFTL	0.034	0.084	0.118	0.048	0.063	0.111
	Letter 1 (5696C)	0.011	0.033	0.044	0.014	0.029	0.043
	Letter 2 (5701C)	0.010	0.032	0.043	0.012	0.030	0.042
	Letter 2 monthly (5702C)	0.014	0.040	0.054	0.011	0.045	0.056
2 Years ($b_2 - b_0$) R_2^*	NFTL	0.045	0.061	0.106	0.060	0.038	0.098
	Letter 1 (5696C)	0.019	0.032	0.052	0.019	0.031	0.051
	Letter 2 (5701C)	0.017	0.029	0.045	0.026	0.014	0.040
	Letter 2 monthly (5702C)	0.027	0.041	0.068	0.026	0.043	0.069
Year 2 ($b_2 - b_1$) R_2	NFTL	0.011	0.024	0.035	0.025	0.004	0.029
	Letter 1 (5696C)	0.009	0.029	0.037	0.011	0.024	0.035
	Letter 2 (5701C)	0.006	0.021	0.027	0.015	0.009	0.024
	Letter 2 monthly (5702C)	0.015	0.043	0.057	0.021	0.036	0.057

3. Linear Models

In addition to the models with a categorical response, we modelled the change in the balance due as a continuous variable, using the difference in the log balance instead of the levels because the response was very skewed (to avoid computation of the log of zero, the end balance was taken to be at least one dollar). Table 10 gives the output of this model, in which we hope to find negative estimated coefficients for the various treatments, reflecting a greater reduction in the balance due. As with the multinomial model, we see the key variables remain the NFTL treatment and letter LT16, which were significant at the 1-percent level, with NFTL having a negative coefficient, indicating a reduction in balance due, and letter LT16 associated with an increase in balance due. Only taxpayers who failed to resolve after receiving the LT16 could be included in our sample population, and may generally be less compliant, or may have ignored the letters because there are other factors making it more difficult for them to pay. The NFTL coefficient is about five times larger than the other treatments, which don't appear to have a significant impact, though they do have the expected negative sign.

Since prior research suggests that the impact of NFTLs may be felt beyond the 1-year period of the pilot study, we also track outcomes for the study population for an additional year. As detailed above, we model the change in log balance due from the start of the pilot to the end of the pilot for the first period and the change

from the end of the first year to the end of the second year for the second period. These differences are adjusted for any new assessments on previously identified delinquent returns that are made in each period. The pattern in the year-one results is consistent across the 2-year model and the separate model for year two alone. The magnitude of the coefficients increases when comparing results after 2 years, indicating continued improvements (decreases) to balance due during the second year resulting from the NFTLs, and worse outcomes for taxpayers who didn't respond to an LT16. As expected, the magnitudes are smaller when looking at changes over the second year alone, showing that while NFTLs may continue to influence outcomes after 12 months, the biggest changes occur during the first year.

We also checked for contrasts to make pairwise treatment comparisons and found NFTL to be the most significant treatment. This is also borne out in Table 11, which shows the average change in log balance by treatment group.

TABLE 10. Selected Parameter Estimates[†] for Linear Model

Parameter	Year One ($b_1 - b_0$)	Two Years ($b_2 - b_0$)	Year Two ($b_2 - b_1$)
	N=13,201	N=13,201	N=12,352
Intercept	-1.537*** (0.149)	-2.521*** (0.186)	-1.414*** (0.133)
NFTL	-0.548*** (0.066)	-0.637*** (0.083)	-0.206*** (0.061)
Letter 1 (5696C)	-0.112 (0.070)	-0.087 (0.088)	-0.038 (0.062)
Letter 2 (5701C)	-0.080 (0.069)	-0.146* (0.088)	-0.076 (0.062)
Letter 2 monthly (5702C)	-0.111 (0.073)	-0.169* (0.093)	-0.106 (0.066)
ACS Letter_LT11	0.085 (0.070)	0.149* (0.089)	0.051 (0.064)
ACS Lette_LT16	0.151*** (0.055)	0.225*** (0.070)	0.073 (0.051)
ACS Letter_other	-0.081* (0.048)	-0.046 (0.061)	0.048 (0.043)

[†] Standard errors in parentheses.

NOTES: *** indicates significance at the 0.01 level in a two-tailed Wald Chi-Square test

** indicates significance at the 0.05 level in a two-tailed Wald Chi-Square test

* indicates significance at the 0.10 level in a two-tailed Wald Chi-Square test

TABLE 11. Average Difference in Log Balance by Treatment Group

Treatment Group	Average Difference		
	Year One ($b_1 - b_0$) N=13,201	Two Years ($b_2 - b_0$) N=13,201	Year Two ($b_2 - b_1$) N=12,352
NFTL	-1.015	-1.492	-0.496
Letter 1 (5696C)	-0.627	-1.038	-0.414
Letter 2 (5701C)	-0.585	-1.079	-0.500
Letter 2 monthly (5702C)	-0.604	-1.132	-0.534
Control	-0.454	-0.839	-0.393

F. Comparison with Prior Studies

To compare our results with those in earlier studies, we calculate an average predicted percentage change for the NFTL treatment following the results from our 1-year linear models. Table 12 provides these averages alongside calculations from the study of the 2011 Fresh Start initiative.

TABLE 12. Average Predicted Change in Balance for NFTLs Over One Year, Selected Studies

Study	Predicted Impact on Change in Balance Due	Average Dollar Change
Lien Pilot Study (individual returns)	-55%	-\$7,701
Fresh Start Study (individual returns)	-23%	-\$3,379
Fresh Start Study (business returns)	-40%	-\$4,103

The prior study's estimate for individual returns was roughly half of the estimate from our linear model. This could be related to worse general economic conditions around the 2011 study, which used data from just a few years after the 2008 financial crisis during a severe recession, compared with the better macroeconomic environment in 2016. The level of IRS budgets and enforcement activity also varies across this time and may account for some of the difference, and it could also be a result of different research designs used in the two papers. Though our pilot study didn't include BMF (business) returns, it is more in line with the BMF results from the Fresh Start study. This suggests that one avenue for future research might be to apply our randomized experimental design to a BMF population. If the relative magnitudes remain consistent, one would expect to see an even larger estimated impact from filing a lien on business taxpayers.

To assess what may be driving the different results between the two studies, we model the outcomes for 1 year, pooling together the taxpayers in the Fresh Start study with the taxpayers in the NFTL and control groups from this 2016 pilot study. We add new dummy variables to distinguish between the two groups, between NFTL and control groups, and the NFTL specifically for the more recent pilot study. Table 13 shows selected coefficient estimates from this model. Consistent with the results in Table 12, there appears to be a significant difference between cases in the Fresh Start study and this more recent study, with cases in the prior study more likely to have an increase in the balance due over the course of a year. The NFTL is associated with significant reductions in balance due in both studies, but the NFTLs in this paper's field experiment lead to additional reductions, almost double the roughly -17 percent baseline effect observed in both time periods. As we see a difference both in the time factors captured by the "fresh" variable and in the NFTL itself through the "pilot_NFTL" variable, it is likely that the differences between the results of the two studies are not entirely due to their different methodologies.

TABLE 13. Selected Parameter Estimates[†] for Pooled Fresh Start Model,**Response Variable: Δb , N=61,648**

Model	Parameter Estimate
Intercept	-1.302*** (0.06)
Fresh	0.183*** (0.041)
NFTL	-0.174*** (0.017)
Pilot_NFTL	-0.382*** (0.054)
ACS Letter_LT11	-0.009 (0.017)
ACS Letter_LT16	0.044** (0.018)
ACS Letter_other	0.019 (0.016)

[†] Standard errors in parentheses.

NOTES: *** indicates significance at the 0.01 level in a two-tailed Wald Chi-Square test.

** indicates significance at the 0.05 level in a two-tailed Wald Chi-Square test.

* indicates significance at the 0.10 level in a two-tailed Wald Chi-Square test.

IV. Conclusion

This study provides a somewhat rare opportunity in a field experiment framework to compare enforcement actions to softer “nudges” intended to encourage taxpayers to resolve delinquent taxes. We find, consistent with previous research, significant impacts for NFTLs and substantially larger impacts of the NFTL compared to softer nudges in motivating taxpayers to resolve these debts. The estimated treatment effects of the NFTL are consistently larger during the year following the treatment and treatment effects appear to be more persistent than nudges through correspondence—perhaps three to five times more than the alternative treatments. While we did not explicitly consider treatment costs in our analysis, the NFTL does pose larger costs to both tax administration (e.g., lien fees, administrative costs) and to taxpayers. The three alternative letter treatments (groups 2, 3, and 4) appeared to yield positive, though smaller, results in a few select models, but in many cases the treatment effect was not significantly different than zero. In contrast, taxpayers who received ACS letters in the year prior to the test seemed to be less likely to resolve their debt. One interpretation is that the prior treatment helps to encourage compliance and the cases remaining are more difficult to resolve. This conclusion supports the notion that it is important in general to use lower-cost treatments prior to filing the NFTL. The monthly letter in group 4 appeared slightly more significant in some of the logistic models than the other three letter groups, so it may have a slight edge over the others, though this wasn’t consistent across every model.

Since changes in balance due are not the only treatment results of interest to the IRS, we plan to extend our analysis of the lien pilot results to include additional outcomes, such as comparing changes in filing compliance or income between the different treatment groups.

References

- National Taxpayer Advocate, *2011 Annual Report to Congress* vol. 2, 91–111 (Research Study: “Estimating the Impact of Liens on Taxpayer Compliance Behavior and Income”) Taxpayer Advocate Service (2011).
- Turk, Alex, John Iuranich, Stacy Orlett, and Saurabh Datta, “Resolving Unpaid Taxes and the Notice of Federal Tax Lien: Evidence from the Fresh Start Initiative,” Internal Revenue Service (2015).

Appendix

This appendix presents additional information on the dataset constructed for the analysis and full regression results including all treatments and all control variables. Reference levels for the categorical dummies on major source of income and assessments are the “other” group not captured in the other three categories (see `inc_other` and `soa_other` in Table A1).

TABLE A1. Variable Names and Descriptions

Name	Description
NFTL	Dummy for traditional NFTL treatment (pilot 1) (includes Fresh Start for comparison model)
Letter1	Dummy for letter 5696C treatment (pilot 2)
Letter2	Dummy for letter 5701C treatment (pilots 3 and 4)
Letter2_monthly	Dummy for monthly reminder letter 5702C treatment (pilot 4)
Ltr_LT11	Dummy indicating taxpayer received ACS letter LT 11 prior to the pilot
Ltr_LT16	Dummy indicating taxpayer received ACS letter LT 16 prior to the pilot
Ltr_other	Dummy indicating taxpayer received other ACS letter
Prior_nftl	Dummy for prior NFTL at start of pilot
Prior_pmt	Dummy indicating whether payments were made in the year prior to the start of the pilot
Maxconctage	Length of time in ACS at start of pilot (years)
Maxtrcatage	Age of the oldest module in ARDI at start of pilot (years)
Inc_wages	Dummy indicating main source of taxpayer's income is from wages
Inc_self	Dummy indicating main source of taxpayer's income is self-employment / Schedule C / Schedule F
Inc_invest	Dummy indicating main source of taxpayer's income is from interest/dividends/ Schedule D
Inc_other	Dummy indicating taxpayer has other main source of income (used as reference level)
Soa_delinquent	Dummy indicating delinquency is the major source of assessment
Soa_exam_aur	Dummy indicating exam or underreporting is the major source of assessment
Soa_baldue	Dummy indicating balance due is the major source of assessment
Soa_other	Dummy indicating other major source of assessment (used as reference level)
Inc_bal_ratio	Ratio of TPI/balance due for first year of pilot. Balance due set to \$1 if zero, to avoid division by 0, module balances adjusted for new assessments on prior delinquent returns
Inc_bal_ratio_b2	Ratio of TPI/balance due for first year of pilot and one additional year. Balance due set to \$1 if zero, to avoid division by 0, module balances adjusted for new assessments on prior delinquent returns
Miss_letter1	Dummy for pilot 4 cases which missed the first letter 5701C
Prv_tdi_ass	Dummy indicating the presence of TDI assessments made in year prior to the start of pilot
Status_2	Dummy indicating taxpayer in TDI status 2 at start of pilot
Status_3	Dummy indicating taxpayer in TDI status 3 at start of pilot
Status_2_b1	Dummy indicating taxpayer in TDI status 2 at end of year 1 of pilot (b1)
Status_3_b1	Dummy indicating taxpayer in TDI status 3 at end of year 1 of pilot (b1)
Tpi_zero	Dummy indicating missing or zero TPI for first year of pilot
Tpi_zero_b2	Dummy indicating missing or zero TPI for first year of pilot and one additional year
Entered_IA	Dummy indicating taxpayer entered an Installment Agreement by end of year 1 of pilot (b1)
CNC	Dummy indicating taxpayer in currently not collectible status at end of year 1 of pilot (b1), excluding shelved cases
N_modules	Number of tax modules on ARDI at start of pilot
N_modules_b1	Number of tax modules on ARDI at end of year 1 of pilot (b1)
Fresh	Dummy indicating taxpayer in Fresh Start study (for pooled model only)
Pilot_NFTL	Dummy indicating NFTL treatment in pilot only, not in Fresh Start (for pooled model only)

TABLE A2. Full Parameter Estimates for Ordinal Logistic Model†*Response Variables: Year One: R_1 , Two Years: R_2^* , Year Two: R_2*

Variable	Year One ($b_1 - b_0$)	Two Years ($b_2 - b_0$)	Year Two ($b_2 - b_1$)
	N=13,201	N=13,201	N=12,352
Intercept (R=2 vs. R=0)	-2.554*** (0.134)	-1.787*** (0.125)	-2.396*** (0.135)
Intercept (R=1 vs. R=0)	-0.421*** (0.131)	-0.011 (0.124)	-0.101 (0.132)
NFTL	0.503*** (0.059)	0.425*** (0.056)	0.047 (0.062)
Letter1 (5696C)	0.100 (0.063)	0.119** (0.06)	0.038 (0.064)
Letter2 (5701C)	0.110* (0.063)	0.107* (0.06)	-0.004 (0.064)
Letter2_monthly (5702C)	0.162** (0.066)	0.186*** (0.062)	0.078 (0.066)
Ltr_LT11	-0.139** (0.064)	-0.146** (0.061)	-0.152** (0.068)
Ltr_LT16	-0.137*** (0.05)	-0.156*** (0.047)	-0.095* (0.052)
Ltr_other	0.001 (0.042)	-0.002 (0.041)	-0.062 (0.043)
Prior_nftl	0.293*** (0.078)	0.309*** (0.075)	0.359*** (0.080)
Prior_pmt	0.699*** (0.041)	0.562*** (0.039)	0.506*** (0.043)
Maxconctage	0.035 (0.025)	0.049** (0.024)	0.065** (0.025)
Maxtrcatage	0.087*** (0.009)	0.113*** (0.009)	0.050*** (0.009)
Inc_wages	0.317*** (0.073)	0.268*** (0.068)	0.229*** (0.075)
Inc_self	-0.092 (0.072)	-0.175*** (0.067)	-0.129* (0.074)
Inc_invest	0.354*** (0.068)	0.313*** (0.064)	0.194*** (0.074)
Soa_delinquent	-0.784*** (0.104)	-0.774*** (0.101)	-0.687*** (0.110)
Soa_exam_aur	-0.825*** (0.111)	-0.921*** (0.107)	-0.792*** (0.116)
Soa_baldue	-0.775*** (0.103)	-0.784*** (0.100)	-0.573*** (0.108)
Inc_bal_ratio	0.015*** (0.002)		

Footnotes at end of table.

TABLE A2. Full Parameter Estimates for Ordinal Logistic Model[†]—Continued*Response Variables: Year One: R_1 , Two Years: R_2^* , Year Two: R_2*

Variable	Year One (b_1-b_0)	Two Years (b_2-b_0)	Year Two (b_2-b_1)
	N=13,201	N=13,201	N=12,352
Inc_bal_ratio_b2		0.017*** (0.003)	0 (0)
Miss_letter1	-0.173 (0.113)	-0.076 (0.105)	0.046 (0.112)
Prv_tdi_ass	0.514*** (0.06)	0.353*** (0.058)	0.445*** (0.066)
Status_2	0.021 (0.109)	0.202** (0.102)	
Status_3	-0.025 (0.091)	-0.025 (0.086)	
Status_2_b1			0.060 (0.198)
Status_3_b1			-0.086 (0.117)
Tpi_zero	-0.377*** (0.078)		
Tpi_zero_b2		-0.505*** (0.073)	-0.779*** (0.083)
N_modules	-0.199*** (0.016)	-0.234*** (0.016)	
N_modules_b1			-0.191*** (0.013)
Entered_IA			1.060*** (0.055)
CNC			-0.144 (0.157)

[†] Standard errors in parentheses.

NOTES: *** indicates significance at the 0.01 level in a two-tailed Wald Chi-Square test

** indicates significance at the 0.05 level in a two-tailed Wald Chi-Square test

* indicates significance at the 0.10 level in a two-tailed Wald Chi-Square test

TABLE A3. Full Parameter Estimates[†] for Generalized Logistic (Multinomial) ModelYear-One Outcome (b_1 - b_9), Response Variable: R_1 , N=13,201

Variable	Full-Paid $R_1 = 2$ (vs. 0)	Partially Paid $R_1 = 1$ (vs. 0)
Intercept	-1.119*** (0.257)	-0.803*** (0.145)
NFTL	0.885*** (0.119)	0.363*** (0.065)
Letter1 (5696C)	0.238* (0.133)	0.075 (0.069)
Letter2 (5701C)	0.215 (0.134)	0.09 (0.069)
Letter2_monthly (5702C)	0.217 (0.139)	0.17** (0.071)
Ltr_LT11	-0.217 (0.139)	-0.138** (0.07)
Ltr_LT16	-0.334*** (0.112)	-0.091* (0.054)
Ltr_other	0.136 (0.086)	-0.043 (0.046)
Prior_nftl	-0.279 (0.246)	0.376*** (0.082)
Prior_pmt	0.679*** (0.083)	0.774*** (0.045)
Maxconctage	-0.068 (0.086)	0.032 (0.026)
Maxtrcatage	0.138*** (0.018)	0.087*** (0.01)
Inc_wages	0.492*** (0.147)	0.304*** (0.08)
Inc_self	-0.089 (0.147)	-0.121 (0.079)
Inc_invest	0.621*** (0.127)	0.256*** (0.077)
Soa_delinquent	-1.195*** (0.202)	-0.744*** (0.115)
Soa_exam_aur	-1.25*** (0.214)	-0.776*** (0.123)
Soa_baldue	-0.98*** (0.197)	-0.795*** (0.115)
Inc_bal_ratio	0.016*** (0.003)	0.008** (0.003)
Miss_letter1	-0.387 (0.26)	-0.113 (0.12)
Prv_tdi_ass	0.055 (0.14)	0.72*** (0.064)
Status_2	0.273 (0.197)	-0.08 (0.123)
Status_3	-0.148 (0.174)	0.012 (0.102)
Tpi_zero	-0.025 (0.158)	-0.592*** (0.087)
N_modules	-0.729*** (0.045)	-0.105*** (0.017)

[†]Standard errors in parentheses.

NOTES: *** indicates significance at the 0.01 level in a two-tailed Wald Chi-Square test

** indicates significance at the 0.05 level in a two-tailed Wald Chi-Square test

* indicates significance at the 0.10 level in a two-tailed Wald Chi-Square test

TABLE A4. Full Parameter Estimates[†] for Generalized Logistic (Multinomial) ModelTwo-Year Outcome (b2- b0), Response Variable: R₂^{*}, N=13,201

Variable	Full-Paid R ₂ [*] = 2 (vs. 0)	Partially Paid R ₂ [*] =1 (vs. 0)
Intercept	-0.458** (0.200)	-0.693*** (0.146)
NFTL	0.705*** (0.095)	0.248*** (0.065)
Letter1 (5696C)	0.190* (0.104)	0.100 (0.068)
Letter2 (5701C)	0.253** (0.103)	0.033 (0.068)
Letter2_monthly (5702C)	0.247** (0.108)	0.201*** (0.071)
Ltr_LT11	-0.233** (0.108)	-0.120* (0.069)
Ltr_LT16	-0.302*** (0.086)	-0.089* (0.053)
Ltr_other	0.053 (0.068)	-0.023 (0.047)
Prior_nftl	-0.059 (0.170)	0.464*** (0.081)
Prior_pmt	0.633*** (0.066)	0.629*** (0.045)
Maxconctage	-0.014 (0.058)	0.048* (0.026)
Maxtrcatage	0.142*** (0.015)	0.126*** (0.010)
Inc_wages	0.479*** (0.115)	0.197** (0.079)
Inc_self	-0.102 (0.114)	-0.274*** (0.077)
Inc_invest	0.521*** (0.102)	0.192** (0.076)
Soa_delinquent	-1.226*** (0.159)	-0.603*** (0.120)
Soa_exam_aur	-1.459*** (0.170)	-0.715*** (0.128)
Soa_baldue	-1.147*** (0.156)	-0.675*** (0.119)
Inc_bal_ratio_b2	0.019*** (0.003)	0.009*** (0.003)
Miss_letter1	0.058 (0.173)	-0.175 (0.121)
Prv_tdi_ass	0.157 (0.106)	0.563*** (0.066)
Status_2	0.353** (0.157)	0.102 (0.122)
Status_3	-0.120 (0.142)	0.061 (0.101)
Tpi_zero_b2	-0.228* (0.120)	-0.845*** (0.086)
N_modules	-0.614*** (0.033)	-0.113*** (0.017)

[†] Standard errors in parentheses.

NOTES: *** indicates significance at the 0.01 level in a two-tailed Wald Chi-Square test

** indicates significance at the 0.05 level in a two-tailed Wald Chi-Square test

* indicates significance at the 0.10 level in a two-tailed Wald Chi-Square test

TABLE A5. Full Parameter Estimates[†] for Generalized Logistic (Multinomial) Model
 Year Two Outcome ($b_2 - b_1$), Response Variable: R_2 , $N=12,352$

Variable	Full-Paid $R_2 = 2$ (vs. 0)	Partially Paid $R_2 = 1$ (vs. 0)
Intercept	-0.727*** (0.258)	-0.621*** (0.147)
NFTL	0.440*** (0.133)	-0.100 (0.068)
Letter1 (5696C)	0.211 (0.141)	-0.002 (0.069)
Letter2 (5701C)	0.264* (0.139)	-0.073 (0.069)
Letter2_monthly (5702C)	0.281* (0.144)	0.041 (0.072)
Ltr_LT11	-0.184 (0.149)	-0.147** (0.073)
Ltr_LT16	-0.176 (0.116)	-0.075 (0.056)
Ltr_other	-0.067 (0.090)	-0.054 (0.047)
Prior_nftl	0.078 (0.217)	0.410*** (0.084)
Prior_pmt	0.627*** (0.088)	0.512*** (0.046)
Maxconctage	0.033 (0.071)	0.067** (0.026)
Maxtrcatage	0.071*** (0.019)	0.055*** (0.010)
Inc_wages	0.436*** (0.155)	0.209** (0.082)
Inc_self	-0.064 (0.155)	-0.157* (0.081)
Inc_invest	0.311** (0.145)	0.169** (0.082)
Soa_delinquent	-0.962*** (0.208)	-0.577*** (0.123)
Soa_exam_aur	-1.367*** (0.220)	-0.608*** (0.130)
Soa_baldue	-0.776*** (0.201)	-0.493*** (0.122)
Inc_bal_ratio_b2	0 (0)	-0.001** (0)
Miss_letter1	0.227 (0.216)	-0.040 (0.125)
Prv_tdi_ass	0.837*** (0.141)	0.371*** (0.072)
Status_2_b1	-0.287 (0.470)	0.166 (0.211)
Status_3_b1	0.028 (0.221)	-0.139 (0.131)
Tpi_zero_b2	-0.602*** (0.166)	-0.851*** (0.092)
Entered_IA	0.907*** (0.116)	1.336*** (0.061)
CNC	0.022 (0.326)	-0.203 (0.172)
N_modules	-0.791*** (0.042)	-0.096*** (0.014)

[†] Standard errors in parentheses

NOTES: *** indicates significance at the 0.01 level in a two-tailed Wald Chi-Square test

** indicates significance at the 0.05 level in a two-tailed Wald Chi-Square test

* indicates significance at the 0.10 level in a two-tailed Wald Chi-Square test

TABLE A6. Full Parameter Estimates[†] for Linear Model*Response Variables: b; Year One: Δb_1 , Two Years: Δb_2^* , Year Two: Δb_2*

Variable	Year One ($b_1 - b_0$)	Two Years ($b_2 - b_0$)	Year Two ($b_2 - b_1$)
	N=13,201	N=13,201	N=12,352
Intercept	-1.537*** (0.149)	-2.521*** (0.186)	-1.414*** (0.133)
NFTL	-0.548*** (0.066)	-0.637*** (0.083)	-0.206*** (0.061)
Letter1 (5696C)	-0.112 (0.070)	-0.087 (0.088)	-0.038 (0.062)
Letter2 (5701C)	-0.080 (0.069)	-0.146* (0.088)	-0.076 (0.062)
Letter2_monthly (5702C)	-0.111 (0.073)	-0.169* (0.093)	-0.106 (0.066)
Ltr_LT11	0.085 (0.07)	0.149* (0.089)	0.051 (0.064)
Ltr_LT16	0.151*** (0.055)	0.225*** (0.070)	0.073 (0.051)
Ltr_other	-0.081* (0.048)	-0.046 (0.061)	0.048 (0.043)
Prior_nftl	-0.001 (0.091)	-0.061 (0.115)	-0.125 (0.081)
Prior_pmt	-0.257*** (0.046)	-0.418*** (0.058)	-0.223*** (0.043)
Maxconctage	-0.034 (0.029)	-0.045 (0.037)	-0.023 (0.026)
Maxtrcatage	-0.061*** (0.010)	-0.092*** (0.013)	-0.026*** (0.009)
Inc_wages	-0.21** (0.083)	-0.372*** (0.103)	-0.149** (0.074)
Inc_self	0.073 (0.08)	0.092 (0.100)	0.043 (0.072)
Inc_invest	-0.432*** (0.075)	-0.545*** (0.095)	-0.157** (0.069)
Soa_delinquent	0.803*** (0.122)	1.234*** (0.155)	0.548*** (0.112)
Soa_exam_aur	0.897*** (0.131)	1.473*** (0.166)	0.754*** (0.119)
Soa_baldue	0.764*** (0.123)	1.200*** (0.155)	0.465*** (0.112)
Inc_bal_ratio	-0.001*** (0)		
Inc_bal_ratio, year 2		-0.001** (0.001)	0 (0)
Miss_letter1	0.199 (0.124)	0.026 (0.158)	-0.099 (0.113)
Prv_tdi_ass	0.023 (0.072)	-0.018 (0.091)	-0.355*** (0.068)
Status_2	-0.268** (0.125)	-0.482*** (0.158)	
Status_3	0.067 (0.098)	0.170 (0.124)	
Status_2_b1			0.159 (0.190)

Footnotes at end of table.

TABLE A6. Full Parameter Estimates[†] for Linear Model—Continued*Response Variables: b; Year One: Δb_1 , Two Years: Δb_2^* , Year Two: Δb_2*

Variable	Year One ($b_1 - b_0$)	Two Years ($b_2 - b_0$)	Year Two ($b_2 - b_0$)
	N=13,201	N=13,201	N=12,352
Status_3_b1			-0.036 (0.111)
Tpi_zero	0.089 (0.086)		
Tpi_zero_b2		0.187* (0.106)	0.246*** (0.077)
Entered_IA			-0.250*** (0.060)
CNC			-0.057 (0.146)
N_modules	0.283*** (0.017)	0.414*** (0.022)	
N_modules_b1			0.235*** (0.013)

[†]Standard errors in parentheses

NOTES: *** indicates significance at the 0.01 level in a two-tailed Wald Chi-Square test

** indicates significance at the 0.05 level in a two-tailed Wald Chi-Square test

* indicates significance at the 0.10 level in a two-tailed Wald Chi-Square test

TABLE A7. Full Parameter Estimates[†] for Pooled Fresh Start Model Response Variable: Δb

Variable	Year One ($b_1 - b_0$)
	N=61,648
Intercept	-1.302*** (0.060)
Fresh	0.183*** (0.041)
NFTL	-0.174*** (0.017)
Pilot_NFTL	-0.382*** (0.054)
Ltr_LT11	-0.009 (0.017)
Ltr_LT16	0.044** (0.018)
Ltr_other	0.019 (0.016)
Prior_nftl	0.038 (0.058)
Prior_pmt	-0.293*** (0.017)
Maxconctage_y	-0.005 (0.013)
Maxtrcatage_y	0.029*** (0.004)
Inc_wages	-0.049 (0.030)
Inc_self	0.092*** (0.028)
Inc_invest	-0.246*** (0.022)
Soa_delinquent	0.534*** (0.038)
Soa_exam_aur	0.507*** (0.044)
Soa_baldue	0.567*** (0.041)
Inc_bal_ratio	-0.003*** (0.000)
Prv_tdi_ass	-0.122*** (0.022)
Status_2	0.023 (0.043)
Status_3	0.001 (0.019)
Tpi_zero	0.124*** (0.026)
N_modules	0.133*** (0.006)

[†] Standard errors in parentheses

NOTES: *** indicates significance at the 0.01 level in a two-tailed Wald Chi-Square test

** indicates significance at the 0.05 level in a two-tailed Wald Chi-Square test

* indicates significance at the 0.10 level in a two-tailed Wald Chi-Square test

FIGURE 1. Letter 5696C

5696C -- Collection Alternatives Pilot II (IMF).txt
 5696C -- Collection Alternatives Pilot II (IMF)

Department of the Treasury	Transmittal Number 16-04	Date of Issue 04/04/2016
	Originating Office SBSE:CO:HC:QTS:J:CT	Form Number 5696C

IDRS
CORRESPONDEX

Internal Revenue Service

Title: Collection Alternatives Pilot II

Number of Copies Original	Distribution to: 1 to TP	Former Letter
OMB Clearance Number -	Expires	IMF

Letters Considered in Revision:

A Social security number: [01 12T]

Dear [-30V]

Our records show you have unpaid taxes for the tax periods listed below.

Form	Tax year	Tax	Penalty	Interest
B [02 9V]	[03 13P]	\$ [04 12\$]	\$ [05 10\$]	\$ [06 10\$]
[07 9V]	[08 13P]	[09 12\$]	[10 10\$]	[11 10\$]
C [12 9V]	[13 13P]	\$ [14 12\$]	\$ [15 10\$]	\$ [16 10\$]
D [17 9V]	[18 13P]	[19 12\$]	[20 10\$]	[21 10\$]
E [22 9V]	[23 13P]	\$ [24 12\$]	\$ [25 10\$]	\$ [26 10\$]
F [27 9V]	[28 13P]	\$ [29 12\$]	\$ [30 10\$]	\$ [31 10\$]

Total due \$[32 12\$]

Your current total amount due is \$[33 12\$], which includes penalty and interest charges through [34 13D]. If we don't receive full payment by this date, we'll continue to charge interest and any applicable penalties until you pay the total balance due. Pay as much as you can now using one of the payment options described below.

If you already paid your balance in full within the past 14 days or made payment arrangements, you can disregard this letter.

PAYMENT OPTIONS

PAY NOW ELECTRONICALLY

We offer free payment options to securely pay your tax bill directly from your checking or savings account. When you pay online or from your mobile device, you can:

- Receive instant confirmation of your payment
- Schedule payments in advance
- Modify a payment before the due date

You can also pay by debit or credit card for a small fee. To see all

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of our payment options, visit www.irs.gov/payments.

PAYMENT PLANS

If you can't pay the full amount you owe, pay as much as you can now and make arrangements to pay your remaining balance. Visit www.irs.gov/paymentplan for more information on installment agreements and online payment agreements. You can also call us at [35 23V] to discuss your options.

OFFER IN COMPROMISE

An offer in compromise allows you to settle your tax debt for less than the full amount you owe. If we accept your offer, you can pay with either a lump sum cash payment plan or periodic payment plan. To see if you qualify, use the Offer in Compromise Pre-Qualifier tool on our website. For more information, visit www.irs.gov/offers.

ACCOUNT BALANCE AND PAYMENT HISTORY

For information on how to obtain your current account balance or payment history, go to www.irs.gov/balancedue.

If you mail a payment, make your check or money order payable to the United States Treasury and provide on each payment:

- Name
- Address
- Taxpayer identification number
- Daytime telephone number
- Tax year
- Tax form

You can mail the payment to:

Internal Revenue Service

[36 50V]

[37 50V]

PAST DUE TAX RETURNS

To qualify for an online payment agreement, installment agreement, or offer in compromise, you must file all tax returns; however, you don't need to file all tax returns for us to consider placing your account in CNC status. If you're not required to file because your income is below the filing requirement, let us know, and we can close the filing requirement for that tax year. If your income is above the filing requirement, you must file the returns. If you need assistance filing your taxes, visit www.irs.gov/vita to see if you qualify for free tax return preparation by the Volunteer Income Tax Assistance program.

CURRENTLY NOT COLLECTIBLE

If paying your tax liability will cause you economic hardship so that you can't pay your reasonable basic living expenses, you may request that we place your account in currently not collectible (CNC) status. You can call us at [38 23V] to make this request. You'll need to gather complete financial information, including a list of your monthly expenses, before you call. If we agree that you can't pay, we can suspend collection action and classify your account as CNC. CNC does not mean the debt goes away. Applicable penalties and interest will still accumulate, and we may collect against you in the future if your financial situation improves.

IF YOU DON'T PAY OR MAKE PAYMENT ARRANGEMENTS

If you don't pay your tax bill or contact us to arrange payments, we will take action to collect what you owe. This can include:

- Filing a Notice of Federal Tax Lien (NFTL). An NFTL is a public notice of our claim against your property that will appear on

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your credit report and may harm your credit rating. We'll release the lien once you pay the taxes, penalties, interest, and recording fees in full. You can also request that we withdraw the lien if certain circumstances exist. Call us at the telephone number listed on this letter to find out more.
- Serving a Notice of Levy or seizing assets. We can collect the amount you owe from your wages, bank accounts, social security benefits, retirement, or other sources of income. We may also seize your car, home, or other property.
 - Applying other tax refunds. We may apply any future federal or state tax refunds you receive to pay down the debt you owe.

If you disagree with the IRS's collection actions, you may be able to appeal the IRS's actions through Collection Due Process (CDP) or the Collection Appeals Program (CAP), depending on where you are in the collections process. For more information, see Publication 1660, Collection Appeal Rights.

PENALTIES AND INTEREST

We've provided a general explanation of the possible penalties and/or interest we may have included in the current balance due on your account. If you want a specific explanation of how we computed the balance on your account, call us at the toll-free number shown in this letter, and we will send you a detailed computation.

** Filing and/or Paying Late -- IRC Section 6651 **

We assess a 5% monthly penalty for filing your return late and a 1/2% monthly penalty for not paying the tax you owe by the due date. When both penalties apply for the same month, the amount of the penalty for filing late for that month is reduced by the amount of the penalty for paying late for that month.

The failure-to-file or failure-to-pay penalty may not apply where you've shown that the failure is due to reasonable cause and not willful neglect.

We base the monthly penalty for filing late on the tax required to be shown on the return that you didn't pay by the original return due date, without regard to extensions.

We base the monthly penalty for paying late on the net unpaid tax at the beginning of each penalty month following the payment due date for that tax.

We charge the penalties for each month or part of a month the return or payment is late; however, neither penalty can be more than 25% in total.

Income tax returns are subject to a minimum late filing penalty when filed more than 60 days after the due date, including extensions. The minimum penalty is \$205 (\$135 for returns due between 1/1/2009 and 12/31/2015, \$100 for returns due before 1/1/2009) or 100% of the tax required to be shown on the return that you didn't pay on time, whichever is less.

The penalty for paying late applies even if you filed the return on time. The due date for payment of the tax shown on the return generally is the return due date, without regard to extensions. You must pay increases in tax within 21 days of the date of our letter demanding payment (10 business days if the amount in the letter is \$100,000 or more).

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If we issue a Notice of Intent to Levy and you don't pay the balance due within 10 days of the date of the notice, the penalty for paying late increases to 1% per month.

For individuals who filed on time, the penalty decreases to 1/4% per month while an approved installment agreement with the IRS is in effect for payment of that tax.

**** Interest -- IRC Section 6601 ****

We are required by law to charge interest when you do not pay your liability on time. Generally, we calculate interest from the due date of your return (regardless of extensions) until you pay the amount you owe in full, including accrued interest and any penalty charges. Interest on some penalties accrues from the date we notify you of the penalty until it is paid in full. Interest on other penalties, such as failure to file a tax return, starts from the due date or extended due date of the return. Interest rates are variable and may change quarterly.

REMOVAL OR REDUCTION OF PENALTIES

We understand that circumstances - such as a serious illness or injury, a family member's death, or loss of financial records due to a natural disaster - may make it difficult for you to meet your taxpayer responsibility in a timely manner. If you would like us to consider removing or reducing any of your penalty charges, please do the following:

- Identify which penalty charges you would like us to remove or reduce (e.g. 2005 late filing penalty).
- For each penalty charge, explain why you believe removal or reduction is appropriate.
- Sign your statement, and mail it to us along with any supporting documents.

We'll review your statement and let you know whether we accept your explanation as reasonable cause to reduce or remove the penalty charge.

If you were penalized based on written advice from the IRS, we will remove the penalty if you meet the following criteria:

- You sent a written request to the IRS for written advice on a specific issue
- You gave us adequate and accurate information
- You received written advice from us
- You reasonably relied on our written advice and were penalized based on that advice

To request removal of penalties based on erroneous written advice from us, submit a completed Claim for Refund and Request for Abatement (Form 843) to the IRS service center where you filed your tax return.

ADDITIONAL INFORMATION

For more information about your rights and the IRS collection process, review Publication 1, Your Rights as a Taxpayer, and Publication 594, IRS Collection Process. You can get these and any of the other forms or publications mentioned in this letter by visiting www.irs.gov/formspubs or by calling 1-800-TAX-FORM (1-800-829-3676).

If you have questions, you can call us at [39 23V].

If you prefer, you can write to us at:

Internal Revenue Service
[40 50V]

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[41 50V]

[42 50V]

The IRS office whose number is listed above can best access your tax information and address your situation. You may also qualify for assistance from the Taxpayer Advocate Service (TAS) or a Low Income Taxpayer Clinic (LITC).

TAS is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 1-877-777-4778.

LITCs are independent from the IRS. LITCs serve individuals whose income is below a certain level and who need to resolve a tax problem with the IRS. LITCs provide professional representation before the IRS or in court on audits, appeals, tax collection disputes, and other issues for free or for a small fee. For more information and to find an LITC near you, see the LITC page at www.taxpayeradvocate.irs.gov/litcmap or IRS Publication 4134, Low Income Taxpayer Clinic List. This publication is also available by calling the IRS at 1-800-829-3676 or visiting your local IRS office.

We're required to send a copy of this letter to both you and your spouse. Each copy contains the same information about your joint account. You only need to pay the amount due once.

When you write, include a copy of this letter and provide in the spaces below, your telephone number and the hours we can reach you. Keep a copy of this letter for your records.

Telephone Number () _____ Hours _____

Sincerely yours,

[43 35S]

[44 35S]

 NOTE: In fill-in 36, include delivery address.
 In fill-in 37, include city, state, and zip code.

 NOTE: In fill-in 40, include unit name and mail stop.
 In fill-in 41, include delivery address.
 In fill-in 42, include city, state, and zip code.

FIGURE 2: Letter 5701C

5701C -- Collection Alternatives Pilot 3 (IMF-BMF).txt
5701C -- Collection Alternatives Pilot 3 (IMF/BMF)

Department of the Treasury	Transmittal Number 16-04	Date of Issue 04/04/2016
	Originating Office SBSE:CO:HC:QTS:J:CT	Form Number 5701C

IDRS
CORRESPONDEX

Internal Revenue Service

Title: Collection Alternatives Pilot 3

Number of Copies Original	Distribution to: 1 to TP	Former Letter
OMB Clearance Number -	Expires	IMF/BMF

Letters Considered in Revision:

A Social security number: [01 12T]

Dear [-30V]

We're required by law to periodically remind you in writing about your overdue tax. The amount you owe is listed below.

Form	Tax year	Tax	Penalty	Interest
B [02 9V]	[03 13P]	\$ [04 12\$]	\$ [05 10\$]	\$ [06 10\$]
C [07 9V]	[08 13P]	\$ [09 12\$]	\$ [10 10\$]	\$ [11 10\$]
D [12 9V]	[13 13P]	\$ [14 12\$]	\$ [15 10\$]	\$ [16 10\$]
E [17 9V]	[18 13P]	\$ [19 12\$]	\$ [20 10\$]	\$ [21 10\$]
F [22 9V]	[23 13P]	\$ [24 12\$]	\$ [25 10\$]	\$ [26 10\$]
	[27 9V]	\$ [28 13P]	\$ [29 12\$]	\$ [30 10\$]

Total Due \$[32 12\$]

If we don't receive full payment of \$[33 14\$] by [34 13D], the amount of interest will increase and additional penalties may apply.

WHAT YOU NEED TO DO IMMEDIATELY
If you aren't currently working with us to resolve your account and agree with the amount due:

- Pay the amount due of \$[35 14\$] within 10 days. Remember, we continue to charge penalty and interest until you pay the balance in full.
- If you can't pay the amount due, pay as much as you can now and make payment arrangements that allow you to pay off the rest over time.
- Visit www.irs.gov/payments for more information about:
 - * Installment and payment agreements - download required forms or save time and money by applying on line if you qualify
 - * Automatic deductions from your bank account
 - * Payroll deductions
 - * Credit card payments

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- Or, call us at 1-800-829-3903 to discuss your options.

If you already paid your balance in full within the past 14 days or made payment arrangements, you can disregard this letter.

G MAILING PAYMENTS

G If you mail a payment, make your check or money order payable to the
G United States Treasury and provide on each payment:

- G - Name
- G - Address
- G - Taxpayer identification number
- G - Daytime telephone number
- G - Tax year
- G - Tax form

G You can mail the payment to:

G Internal Revenue Service

G [36 50v]

G [37 50v]

G

G PAST DUE TAX RETURNS

G To qualify for an online payment agreement, installment agreement, or
G offer in compromise, you must file all tax returns; however, you don't
G need to file all tax returns for us to consider placing your account
G in currently not collectable status. If you're not required to file
G because your income is below the filing requirement, let us know and
G we can close the filing requirement for that tax year. If your income
G is above the filing requirement, you must file the returns. If you
G need assistance filing your taxes, visit www.irs.gov/vita to see if
G you qualify for free tax return preparation by the Volunteer Income
G Tax Assistance program.

G

H PAY NOW ELECTRONICALLY OR BY PHONE

H The Electronic Federal Tax Payment System (EFTPS) is a free payment
H service for paying taxes online or by phone. To use EFTPS, you must
H enroll online at www.eftps.gov (registration may take up to 7
H business days to take effect). When you use the EFTPS website, you
H can:

- H - Receive instant confirmation of your payment
- H - Access payment history to review previous payments
- H - Schedule payments up to 365 days in advance
- H - Cancel a payment before the scheduled date
- H - Make a payment 24 hours a day, 7 days a week
- H - Authorize your financial institution or authorized third party
H (such as an accountant or payroll provider) to schedule payments
H for you.

H

H You may also be able to pay by debit or credit card for a small fee,
H depending on the type of tax you owe. To see all of our payment
H options, visit www.irs.gov/payments.

H

H PAYMENT PLANS

H If you can't pay the full amount you owe, pay as much as you can now
H and make arrangements to pay your remaining balance. Visit
H www.irs.gov/paymentplan for more information on how to apply for
H installment agreements and online payment agreements. You can also
H call us at 1-800-[38 8v] to discuss your options.

H

H Small businesses that owe \$25,000 or less in assessed tax, penalty,
H and interest can also apply online for an In-Business Trust Fund
H Express Installment Agreement at www.irs.gov/paymentplan.

H

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H OFFER IN COMPROMISE
H An offer in compromise allows you to settle your tax debt for less
H than the full amount you owe. If we accept your offer, you can pay
H with either a lump sum cash payment plan or periodic payment plan.
H For more information, visit www.irs.gov/offers.
H

H PAYMENT HISTORY
H If you made payments through EFTPS, you can log on to your EFTPS
H account online to review payments you made by phone or online.
H

H MAILING PAYMENTS
H If you mail a payment, make your check or money order payable to the
H United States Treasury and provide on each payment:
H - Name
H - Address
H - Taxpayer identification number
H - Daytime telephone number
H - Tax year
H - Tax form
H

CURRENTLY NOT COLLECTIBLE
If paying your tax liability will cause you economic hardship so that
you can't pay your reasonable basic living expenses, you may request
that we place your account in currently not collectible (CNC) status.
You can call us at [39 23V] to make this request.
You'll need to gather complete financial information, including a list
of your monthly expenses, before you call. If we agree that you can't
pay, we can suspend collection action and classify your account as
CNC. CNC does not mean the debt goes away. Applicable penalties and
interest will still accumulate, and we may collect against you in the
future if your financial situation improves.

IF YOU DON'T PAY OR MAKE PAYMENT ARRANGEMENTS
If you don't pay your tax bill or contact us to arrange payments, we
will take action to collect what you owe. This can include:
- Filing a Notice of Federal Tax Lien (NFTL). An NFTL is a public
notice of our claim against your property that will appear on
your credit report and may harm your credit rating. We'll
release the lien once you pay the taxes, penalties, interest,
and recording fees in full. You can also request that we
withdraw the lien if certain circumstances exist. Call us at
the telephone number listed on this letter to find out more.
- Serving a Notice of Levy or seizing assets. We can collect the
amount you owe from your wages, bank accounts, social security
benefits, retirement, or other sources of income. We may also
seize your car, home, or other property.
- Applying other tax refunds. We may apply any future federal or
state tax refunds you receive to pay down the debt you owe.

PENALTIES AND INTEREST
We've provided a general explanation of the possible penalties and/or
interest we may have included in the current balance due on your
account. If you want a specific explanation of how we computed the
balance on your account, call us at the toll-free number in this
letter, and we will send you a detailed computation.

** Filing and/or Paying Late -- IRC Section 6651 **

We assess a 5% monthly penalty for filing your return late and a 1/2%
monthly penalty for not paying the tax you owe by the due date. When
both penalties apply for the same month, the amount of the penalty for
filing late for that month is reduced by the amount of the penalty for
paying late for that month.

5701C -- Collection Alternatives Pilot 3 (IMF-BMF).txt

The failure-to-file or failure-to-pay penalty may not apply where you've shown that the failure is due to reasonable cause and not willful neglect.

We base the monthly penalty for filing late on the tax required to be shown on the return that you didn't pay by the original return due date, without regard to extensions.

We base the monthly penalty for paying late on the net unpaid tax at the beginning of each penalty month following the payment due date for that tax.

We charge the penalties for each month or part of a month the return or payment is late; however, neither penalty can be more than 25% in total.

Income tax returns are subject to a minimum late filing penalty when filed more than 60 days after the due date, including extensions. The minimum penalty is \$205 (\$135 for returns due between 1/1/2009 and 12/31/2015, \$100 for returns due before 1/1/2009) or 100% of the tax required to be shown on the return that you didn't pay on time, whichever is less.

The penalty for paying late applies even if you filed the return on time. The due date for payment of the tax shown on the return generally is the return due date, without regard to extensions. You must pay increases in tax within 21 days of the date of our notice demanding payment (10 business days if the amount in the notice is \$100,000 or more).

If we issue a Notice of Intent to Levy and you don't pay the balance due within 10 days of the date of the notice, the penalty for paying late increases to 1% per month.

For individuals who filed on time, the penalty decreases to 1/4% per month while an approved installment agreement with the IRS is in effect for payment of that tax.

** Interest -- IRC Section 6601 **

We are required by law to charge interest when you do not pay your liability on time. Generally, we calculate interest from the due date of your return (regardless of extensions) until you pay the amount you owe in full, including accrued interest and any penalty charges. Interest on some penalties accrues from the date we notify you of the penalty until it is paid in full. Interest on other penalties, such as failure to file a tax return, starts from the due date or extended due date of the return. Interest rates are variable and may change quarterly.

I ** Late or incomplete [40 13V] return -- IRC Section [41 4N] **

I
I The penalty is \$[42 6\$] per [43 24V], for each month
I or part of a month the return was late or incomplete, for up to
I [44 2N] months.

I REMOVAL OR REDUCTION OF PENALTIES

We understand that circumstances - such as a serious illness or injury, a family member's death, or loss of financial records due to a natural disaster - may make it difficult for you to meet your taxpayer responsibility in a timely manner. If you would like us to consider removing or reducing any of your penalty charges, please do

5701C -- Collection Alternatives Pilot 3 (IMF-BMF).txt
the following:
- Identify which penalty charges you would like us to reconsider (e.g. 2005 late filing penalty).
- For each penalty charge, explain why you believe it should be reconsidered.
- Sign your statement, and mail it to us.
We'll review your statement and let you know whether we accept your explanation as reasonable cause to reduce or remove the penalty charge.

If you were penalized based on written advice from the IRS, we will remove the penalty if you meet the following criteria:
- You sent a written request to the IRS for written advice on a specific issue.
- You gave us adequate and accurate information.
- You received written advice from us.
- You reasonably relied on our written advice and were penalized based on that advice.

To request removal of penalties based on erroneous written advice from us, submit a completed Claim for Refund and Request for Abatement (Form 843) to the IRS service center where you filed your tax return.

ADDITIONAL INFORMATION

If you have questions or want to discuss your balance, you can call us at [45 23V].

If you prefer, you can write to us at:

Internal Revenue Service
[46 50V]
[47 50V]
[48 50V]

The IRS office whose number is listed above can best access your tax information and address your situation. You may also qualify for assistance from the Taxpayer Advocate Service (TAS).

TAS is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 1-877-777-4778.

When you write, include a copy of this letter and provide in the spaces below, your telephone number and the hours we can reach you. Keep a copy of this letter for your records.

Telephone number () _____ Hours _____

Sincerely yours,

[49 35S]
[50 35S]

FIGURE 3: Letter 5702C

5702C -- Collection Alternatives Pilot 4 (IMF-BMF).txt
5702C -- Collection Alternatives Pilot 4 (IMF/BMF)

Department of the Treasury	Transmittal Number 16-04	Date of Issue 04/04/2016
	Originating Office SBSE:CO:HC:QTS:J:CT	Form Number 5702C

IDRS
CORRESPONDEX

Internal
Revenue
Service

Title: Collection Alternatives Pilot 4

Number of Copies Original	Distribution to: 1 to TP	Former Letter
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OMB Clearance Number _	Expires	IMF/BMF
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Letters Considered in Revision:

A Taxpayer identification number: [01 12T]

Dear [-30V]

This is a reminder that you have the following unpaid taxes:

Form	Tax year	Tax	Penalty	Interest
B [02 9V]	[03 13P]	\$ [04 12\$]	\$ [05 10\$]	\$ [06 10\$]
C [07 9V]	[08 13P]	\$ [09 12\$]	\$ [10 10\$]	\$ [11 10\$]
D [12 9V]	[13 13P]	\$ [14 12\$]	\$ [15 10\$]	\$ [16 10\$]
E [17 9V]	[18 13P]	\$ [19 12\$]	\$ [20 10\$]	\$ [21 10\$]
F [22 9V]	[23 13P]	\$ [24 12\$]	\$ [25 10\$]	\$ [26 10\$]
	[27 9V]	\$ [28 13P]	\$ [29 12\$]	\$ [30 10\$]

Total due \$[32 12\$]

We notified you previously of this amount, but our records show you haven't resolved the balance due or made arrangements to do so.

If we don't receive full payment of \$[33 14\$] by [34 13D], the amount of interest will increase and additional penalties may apply.

WHAT YOU NEED TO DO IMMEDIATELY
If you aren't currently working with us to resolve your account and agree with the amount due:

- Pay the amount due of \$[35 14\$] within 10 days. Remember, we continue to charge penalty and interest until you pay the balance in full.
- If you can't pay the amount due, pay as much as you can now and make payment arrangements that allow you to pay off the rest over time.
- Visit www.irs.gov/payments for more information about:
 - * Installment and payment agreements - download required forms or save time and money by applying on line if you qualify

Page 1

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* Automatic deductions from your bank account

* Payroll deductions

* Credit card payments

- Or, call us at 1-800-829-3903 to discuss your options.

If you already paid your balance in full within the past 14 days or made payment arrangements, you can disregard this letter.

G MAILING PAYMENTS

G If you mail a payment, make your check or money order payable to the United States Treasury and provide on each payment:

- G - Name
- G - Address
- G - Taxpayer identification number
- G - Daytime telephone number
- G - Tax year
- G - Tax form

G You can mail the payment to:

G Internal Revenue Service
G [36 50V]
G [37 50V]

G PAST DUE TAX RETURNS

G To qualify for an online payment agreement, installment agreement, or offer in compromise, you must file all tax returns; however, you don't need to file all tax returns for us to consider placing your account in currently not collectable status. If you're not required to file because your income is below the filing requirement, let us know and we can close the filing requirement for that tax year. If your income is above the filing requirement, you must file the returns. If you need assistance filing your taxes, visit www.irs.gov/vita to see if you qualify for free tax return preparation by the Volunteer Income Tax Assistance program.

H PAY NOW ELECTRONICALLY OR BY PHONE

H The Electronic Federal Tax Payment System (EFTPS) is a free payment service for paying taxes online or by phone. To use EFTPS, you must enroll online at www.eftps.gov (registration may take up to 7 business days to take effect). When you use the EFTPS website, you can:

- H - Receive instant confirmation of your payment
- H - Access payment history to review previous payments
- H - Schedule payments up to 365 days in advance
- H - Cancel a payment before the scheduled date
- H - Make a payment 24 hours a day, 7 days a week
- H - Authorize your financial institution or authorized third party (such as an accountant or payroll provider) to schedule payments for you.

H You may also be able to pay by debit or credit card for a small fee, depending on the type of tax you owe. To see all of our payment options, visit www.irs.gov/payments.

H PAYMENT PLANS

H If you can't pay the full amount you owe, pay as much as you can now and make arrangements to pay your remaining balance. Visit www.irs.gov/paymentplan for more information on how to apply for installment agreements and online payment agreements. You can also

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H call us at 1-800-[38 8V] to discuss your options.
H
H Small businesses that owe \$25,000 or less in assessed tax, penalty,
H and interest can also apply online for an In-Business Trust Fund
H Express Installment Agreement at www.irs.gov/paymentplan.
H
H OFFER IN COMPROMISE
H An offer in compromise allows you to settle your tax debt for less
H than the full amount you owe. If we accept your offer, you can pay
H with either a lump sum cash payment plan or periodic payment plan.
H For more information, visit www.irs.gov/offers.
H
H PAYMENT HISTORY
H If you made payments through EFTPS, you can log on to your EFTPS
H account online to review payments you made by phone or online.
H
H MAILING PAYMENTS
H If you mail a payment, make your check or money order payable to the
H United States Treasury and provide on each payment:
H - Name
H - Address
H - Taxpayer identification number
H - Daytime telephone number
H - Tax year
H - Tax form
H
H CURRENTLY NOT COLLECTIBLE
H If paying your tax liability will cause you economic hardship so that
H you can't pay your reasonable basic living expenses, you may request
H that we place your account in currently not collectible (CNC) status.
H You can call us at [39 23V] to make this request.
H You'll need to gather complete financial information, including a list
H of your monthly expenses, before you call. If we agree that you can't
H pay, we can suspend collection action and classify your account as
H CNC. CNC does not mean the debt goes away. Applicable penalties and
H interest will still accumulate, and we may collect against you in the
H future if your financial situation improves.
H
H IF YOU DON'T PAY OR MAKE PAYMENT ARRANGEMENTS
H If you don't pay your tax bill or contact us to arrange payments, we
H will take action to collect what you owe. This can include:
H - Filing a Notice of Federal Tax Lien (NFTL). An NFTL is a public
H notice of our claim against your property that will appear on
H your credit report and may harm your credit rating. We'll
H release the lien once you pay the taxes, penalties, interest,
H and recording fees in full. You can also request that we
H withdraw the lien if certain circumstances exist. Call us at
H the telephone number listed on this letter to find out more.
H - Serving a Notice of Levy or seizing assets. We can collect the
H amount you owe from your wages, bank accounts, social security
H benefits, retirement, or other sources of income. We may also
H seize your car, home, or other property.
H - Applying other tax refunds. We may apply any future federal or
H state tax refunds you receive to pay down the debt you owe.
H
H PENALTIES AND INTEREST
H We've provided a general explanation of the possible penalties and/or
H interest we may have included in the current balance due on your
H account. If you want a specific explanation of how we computed the
H balance on your account, call us at the toll-free number in this
H letter, and we will send you a detailed computation.

** Filing and/or Paying Late -- IRC Section 6651 **

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We assess a 5% monthly penalty for filing your return late and a 1/2% monthly penalty for not paying the tax you owe by the due date. When both penalties apply for the same month, the amount of the penalty for filing late for that month is reduced by the amount of the penalty for paying late for that month.

The failure-to-file or failure-to-pay penalty may not apply where you've shown that the failure is due to reasonable cause and not willful neglect.

We base the monthly penalty for filing late on the tax required to be shown on the return that you didn't pay by the original return due date, without regard to extensions.

We base the monthly penalty for paying late on the net unpaid tax at the beginning of each penalty month following the payment due date for that tax.

We charge the penalties for each month or part of a month the return or payment is late; however, neither penalty can be more than 25% in total.

Income tax returns are subject to a minimum late filing penalty when filed more than 60 days after the due date, including extensions. The minimum penalty is \$205 (\$135 for returns due between 1/1/2009 and 12/31/2015, \$100 for returns due before 1/1/2009) or 100% of the tax required to be shown on the return that you didn't pay on time, whichever is less.

The penalty for paying late applies even if you filed the return on time. The due date for payment of the tax shown on the return generally is the return due date, without regard to extensions. You must pay increases in tax within 21 days of the date of our notice demanding payment (10 business days if the amount in the notice is \$100,000 or more).

If we issue a Notice of Intent to Levy and you don't pay the balance due within 10 days of the date of the notice, the penalty for paying late increases to 1% per month.

For individuals who filed on time, the penalty decreases to 1/4% per month while an approved installment agreement with the IRS is in effect for payment of that tax.

**** Interest -- IRC Section 6601 ****

We are required by law to charge interest when you do not pay your liability on time. Generally, we calculate interest from the due date of your return (regardless of extensions) until you pay the amount you owe in full, including accrued interest and any penalty charges. Interest on some penalties accrues from the date we notify you of the penalty until it is paid in full. Interest on other penalties, such as failure to file a tax return, starts from the due date or extended due date of the return. Interest rates are variable and may change quarterly.

I **** Late or incomplete [40 13V] return -- IRC Section [41 4N] ****
I
I The penalty is \$[42 6\$] per [43 24V], for each month
I or part of a month the return was late or incomplete, for up to
I [44 2N] months.
I

5702C -- Collection Alternatives Pilot 4 (IMF-BMF).txt

REMOVAL OR REDUCTION OF PENALTIES

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- Identify which penalty charges you would like us to reconsider (e.g. 2005 late filing penalty).
- For each penalty charge, explain why you believe it should be reconsidered.
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[47 50V]
[48 50V]

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When you write, include a copy of this letter and provide in the spaces below, your telephone number and the hours we can reach you. Keep a copy of this letter for your records.

Telephone number () _____ Hours _____

Sincerely yours,
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FIGURE 4: Letter LT16

ACS LT Letter 16 Department of the Treasury	ACS LT Letter 16.txt
ACS LT Letter	ACS LT Number LT 16
Internal Revenue Service	
Title: Please Call Us About Your Overdue Taxes Or Tax Return	
<p>PLEASE CALL US ABOUT YOUR OVERDUE TAXES OR TAX RETURNS Although you may have responded to our previous notices or contact, your tax issue is still not resolved. As a result, your account has been assigned to this office for enforcement action, which could include seizing your wages or property. It's important that we hear from you within 10 days from the date of this letter.</p> <p>IF YOU ARE NOT ABLE TO PAY YOUR OVERDUE AMOUNT IN FULL, please call the telephone number shown above. Be ready to tell us what your monthly income and expenses are so we can help you arrange a payment plan.</p> <p>IF YOU CAN FILE YOUR TAX RETURN WITH FULL PAYMENT, mail it to us within 10 days from the date of this letter. To help us apply your payment correctly, write your taxpayer identifying number and tax period on your check or money order and make it payable to the United States Treasury. Please send us your tax return and payment along with the enclosed return cover sheet in the envelope provided. Keep this letter for your records.</p> <p>IF YOU CAN'T FILE YOUR RETURN WITHIN 10 DAYS, please call us at the telephone number shown above. To help us determine if you need to file, be ready to provide us with your filing information. For an individual return, this includes your income, filing status, and total federal taxes withheld. For a business return, this includes wages paid, number of employees, and payroll Federal Tax deposits (FTD) made.</p> <p>IF YOU WOULD LIKE SOMEONE ELSE to call us for you, we must have a signed statement from you allowing us to disclose your tax information to this person. You should make your statement on Form 2848, Power of Attorney and Declaration of Representative, which you can get from any IRS office or download from the IRS web site (www.irs.gov). You must send us a copy of the completed form before your representative calls.</p>	
Operations Manager, Automated Collection System	
Enclosures: Return Cover Sheet Envelope	Letter 2050 (REV 0X-20xx)(LT-16)
Page 1	

ACS LT Letter 16.txt

LT Letters --Issued to the taxpayer and authorized representatives.
The back lists all delinquencies by "period ending" , type of tax
(form type), assessment balance, statutory additions, and total
amount due. Response is directed to the service center.

*NOTE: The ACS system allows all users to issue both LT and LP
letters in Spanish to a taxpayer, or their authorized representative,
outside the designated areas based upon a request from the taxpayer.
The following action history codes were developed for this purpose:

ST: Spanish letter
IS: Informational copy in Spanish
OS: Overlay for Spanish letter
PS: Spanish letter to POA

REMINDER: For designated zip codes and areas in Puerto Rico, all LT/LP
letters issued are automatically translated to Spanish.