

**Office of Chief Counsel
Internal Revenue Service
memorandum**

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to: Jeffrey A. Mauser
Distribution Requirements
(Media and Publications)

from: Barbara M. Pettoni
Senior Technician Reviewer
(Procedure & Administration)

subject: Updating Taxpayer Addresses Using the United States Postal Service Change of Address Labels

We received your request for advice on whether the IRS may update taxpayer addresses using the United States Postal Service (USPS) Change of Address Labels (yellow stickers) placed on an envelope returned to the IRS by the USPS.

ISSUE

Whether the IRS may update a taxpayer's last known address from a yellow sticker.

CONCLUSION

The IRS may update the taxpayer's last known address using a yellow sticker if the IRS performs research and is reasonably confident that the individual on the yellow sticker is the taxpayer in question.

FACTS

In order to improve address quality and obtain postal discounts, the IRS utilizes the USPS's National Change of Address (NCOA) to update taxpayer addresses. To utilize NCOA, the IRS obtained a link license and receives weekly data from the USPS that contains change of address information. The IRS systems then perform a series of strict matching routines after which a taxpayer's address is updated in the IRS's computer systems. This process may take up to three weeks to complete. On occasion, a taxpayer's address is not automatically updated through the use of NCOA. When this occurs, the IRS will receive mail which contains a yellow sticker stating the taxpayer's new address. The yellow stickers in question are placed on the envelope by

the USPS and then the envelope is returned to the IRS as undeliverable. In these cases, the IRS's system has not automatically updated the taxpayer's address through the NCOA database because there is some mismatch of information between the NCOA database and the IRS database or the taxpayer's address was not updated prior to the mail being sent.

LAW AND ANALYSIS

Treas. Reg. § 301.6212-2(b)(2) and Revenue Procedure 2010-16 govern updating a taxpayer's address in IRS records. In order to change a taxpayer's address from the address on the taxpayer's most recently filed and properly processed tax return both require clear and concise notification of a different address. Treas. Reg. § 301.6212-2(a); Rev. Proc. 2010-16. 2010-1 C.B. 664. Clear and concise notification does not include notification from a third party, except from the USPS under specific circumstances. Treas. Reg. § 301.6212-2(b). In order for the IRS to receive clear and concise notification of a change in the taxpayer's address from the USPS, several conditions must be satisfied: (1) the information must come from the NCOA database (which only maintains change of address information for 36 months), and (2) the taxpayer's name and last known address in the IRS records must match the taxpayer's name and old mailing address in the NCOA database. In addition to the requirements set out in the regulations and the revenue procedure, courts have held that the IRS is required to exercise reasonable due diligence based on information that the IRS knew or should have known in ascertaining the taxpayer's last known address and in determining whether the taxpayer gave clear and concise notification. See, e.g., Space v. Commissioner, T.C. Memo. 2009-230; Downing v. Commissioner, T.C. Memo. 2007-291; Pyo v. Commissioner, 83 T.C. 626, 636 (1984).

Although the regulations require a "match" between the NCOA database and the IRS records before the taxpayer's address can be updated, the regulations do not define "match." It is our understanding that the IRS will only receive a returned envelope with a yellow sticker containing a new address if the taxpayer's name or previous address in the NCOA database does not match the IRS records. It is also our understanding that the IRS automatic updating system has strict parameters for what constitutes a match such that many legitimate address changes will result in a mismatch (i.e. Robert Smith and Bob Smith would not be considered a match). As the regulation does not define a "match" we view the IRS's decision to impose stringent requirements for matching as a business decision. However, if the IRS has conducted research and is reasonably confident that an updated address in the NCOA database is for a specific taxpayer, despite a mismatch in the automatic updating process, the taxpayer's address may be updated. Since the NCOA database provides a name, previous address, and new address, the IRS should be able to use the previous address as a common element in evaluating whether a match exists. However, if there is any uncertainty as to whether there is a match, the IRS should examine it on a case-by-case basis [REDACTED]

[REDACTED]. If the IRS is not reasonably

confident, after research, that the individual on the yellow sticker is the taxpayer in question, the IRS should not update the address.

Additionally, all research steps taken should be thoroughly documented in case the update is challenged at a later date.

Please call (202) 622-7950 if you have any further questions.