Annual Report to Congress

National Taxpayer Advocate

2008 Annual Report to Congress

Building a Better Filter: Protecting Lower Income Social Security Recipients from the Federal Payment Levy Program

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Executive Summary

Established by Congress in 1997, the Federal Payment Levy Program (FPLP) enables the IRS to continuously levy up to 15 percent of certain federal payments made to delinquent taxpayers.[1] By far, these levies most commonly attach to Social Security Administration (SSA) payments. In 2008, the IRS received more than two million FPLP levy payments from taxpayers, with more than 83 percent of those payments coming from Social Security benefits.[2] FPLP levies on SSA benefits are not one-time attachments, but remain in effect until the liability is resolved or the taxpayer contacts the IRS with payment arrangements or proof of his or her current inability to pay the liability. Until 2005, the IRS used a filter to prevent low income taxpayers from being subjected to FPLP levies on their Social Security payments. However, a 2003 report by what was then the General Accounting Office (GAO)[3] questioned the effectiveness of the low income filter, which relied on a taxpayer's Total Positive Income (TPI) as its sole measure of the taxpayer's financial situation.[4] GAO's report cited similar installment agreement (IA) rates from taxpayers with incomes above and below the filter income threshold. The report also noted the filter fails to recognize that taxpayers might have other assets that could satisfy the tax liability; however, the report did not explore the effect of the FPLP levies on taxpayers truly unable to afford the levy.[5] Since the removal of the low income filter, TAS FPLP cases have sharply increased.[6]

This report documents TAS Research's design, development, and preliminary testing of an improved filtering or screening model to determine whether the FPLP levy will cause a taxpayer economic hardship. Specifically, the new TAS model uses taxpayers' income information from filed individual income tax returns and payor documents supplied to the IRS to estimate the taxpayers' incomes.[7] Next, the TAS model uses other tax return data to estimate expenses routinely allowed by the IRS, known as Allowable Living Expenses (ALE), when determining a taxpayer's ability to pay.[8] The TAS model then compares these two amounts to determine a taxpayer's true ability to afford to pay the FPLP levy on SSA benefits without experiencing economic hardship. In additional testing of the model, TAS Research compares the effects of differences between application of the IRS 2006 and 2008 ALE standards. Finally, TAS Research explores differences that emerge when

1 Taxpayer Relief Act of 1997 *(TRA 97)*, Pub. L. No. 105-34, § 1024 (111 Stat. 788, 923) (Aug. 5, 1997).

2 IRS, Wage and Investment Division (W&I) spreadsheet, *FPLP Monthly Counts* FY 2008. [1,797,530 (total number of FPLP SSA levy payments received in fiscal year 2008) / 2,161,974 (total number of FPLP levy payments received in FY 2008) = 83 percent].

3 The General Accounting Office was renamed the Government Accountability Office in July 2004.

4 TPI is calculated by summing the positive values from the following income fields from a taxpayer's most recently filed individual tax return: wages; interest; dividends; distribution from partnerships, small business corporations, estates, or trusts; Schedule C net profits; Schedule F net profits; and other income such as Schedule D profits and capital gains distributions. Losses reported for any of these values are treated as zero. For a more detailed discussion of this filter, see National Taxpayer Advocate 2001 Annual Report to Congress 202-09; National Taxpayer Advocate 2003 Annual Report to Congress 206-12; National Taxpayer Advocate 2004 Annual Report to Congress 246-63; and National Taxpayer Advocate 2005 Annual Report to Congress 123-35.

5 GAO, GAO 03-356, *Tax Administration, Federal Payment Levy Payment Program Measures, Performance and Equity Can Be Improved* 13-15 (Mar. 6, 2003).

6 TAS FPLP cases grew from 1,707 in FY 2005 to 2,890 in FY 2008. TAS, *Business Performance Management System* (BPMS) (Sept. 2008).

7 Income data from tax year 2005.

8 The IRS publishes allowable expense guidelines which are based on average, actual taxpayer expenditures. These guidelines are used by the IRS to determine a taxpayer's ability to pay delinquent tax liabilities.

the filter based on the 2008 ALE standards is applied, and then compares the results to the 2008 poverty level. TAS Research's initial findings show that the use of data already in the possession of the IRS is sufficient to accurately determine whether FPLP levies will cause economic hardship to Social Security recipients. TAS Research uses FPLP cases with known IRS Collection dispositions to evaluate the effectiveness of the model, to explore discrepancies, and to project the effect of updated IRS allowable expense standards.[9]

This report also examines the availability of other assets to satisfy the tax liability. In addition to looking for the presence of real property, as suggested by GAO[10] TAS Research also reviewed cases for the presence of more liquid assets, by estimating underlying principal amounts from reported interest, dividends, and capital gains.

The most significant conclusions from this report follow:

- Overall, the TAS model demonstrates sufficient reliability to be considered for use by the IRS.
- An analysis of taxpayer incomes supports the model's classification results and shows that in many cases where the taxpayer agreed to pay the liability, the taxpayer may have experienced hardship.
- Although about eleven percent of taxpayers classified as "can pay" by the model have incomes exceeding the allowable expenses, further analysis finds that their incomes are still insufficient for them to afford the 15 percent FPLP attachment.
- Over one-third of all FPLP cases subject to an ongoing FPLP levy would likely be classified as unable to pay based on current IRS allowable expense guidelines.
- More than one-quarter of FPLP taxpayers who paid their tax liability, entered into an installment agreement with the IRS or were subject to an ongoing FPLP levy had incomes at or below the poverty level.
- Most taxpayers with small liabilities endured the FPLP Social Security levy, even though their incomes showed an inability to pay, thus suggesting that they may have forgone some basic living expenses.
- Although the 2008 allowable expense standards are typically more generous than the 2006 standards and classified more taxpayers who paid or established IAs as being unable to pay, most of these taxpayers still had incomes at or below the poverty level.
- An analysis of taxpayer assets located by a third party data source shows that the IRS has sufficient tax data to determine if many of these taxpayers have assets which may be used to satisfy a tax delinquency.

9 The objective of the analysis is to explore whether the filter would inappropriately exclude from levy a significant number of taxpayers who actually paid or entered into an agreement to pay, resulting in an unjustified potential revenue loss to the government. Hardship cases are excluded from the analysis, because the revenue loss is justified due to the financial hardship the taxpayer would experience if subjected to levy.

10 GAO, GAO 03-356, *Tax Administration, Federal Payment Levy Payment Program Measures, Performance and Equity Can Be Improved* 15 (Mar. 6, 2003).

Introduction

Congress enacted the FPLP in 1997 to allow the IRS to systematically issue levies to federal payment recipients with delinquent tax liabilities.[11] While the IRS can levy upon a variety of federal payments, the overwhelming majority of these levies have involved payments from the SSA to taxpayers who are elderly or disabled. Most FPLP funds are received from Social Security payments.[12] FPLP levies on SSA benefits are not one-time attachments, but remain in effect until the liability is either resolved or the taxpayer contacts the IRS with payment arrangements or proof of his or her current inability to pay the liability.

The IRS is authorized to issue continuous levies of up to 15 percent of a taxpayer's payments received from the federal government via an electronic process.[13] This authorization forms the basis for the FPLP, which systemically matches IRS delinquent accounts to the records of the Financial Management Service.[14] Such matches allow the IRS to locate federal payment recipients who have delinquent tax liabilities. Once the IRS identifies the federal payment recipients, it sends a notice to the taxpayer explaining the outstanding liability, including the taxpayer's right to appeal the collection of the liability. The IRS then sends an additional notice to taxpayers before levying SSA benefits.[15]

As noted above, the vast majority of FPLP levy payments are received from SSA benefits.[16] In January 2002, the IRS developed a filter to prevent low income taxpayers from being subjected to a levy of their SSA benefits. This filter was based on the total positive income reported on the taxpayer's last filed income tax return.[17] In March 2003, the GAO issued a report on the IRS' FPLP program. Among other findings, the GAO determined that the TPI filter was often based on outdated information and resulted in a disparate treatment of taxpayers. Moreover, the report suggested that even taxpayers with low incomes might have other assets that could satisfy their tax obligations.[18] The IRS agreed to phase out the TPI filter, and in January 2005, the filter was completely eliminated. Its elimination coincided with a dramatic increase in TAS FPLP cases, which rose by more than 200 percent from FY 2004 to 2005, from about 500 cases to over 1,700. TAS FPLP cases grew another 143 percent the following year, with the total case count swelling to over 4,000 in FY 2006. While FY 2007 and FY 2008 saw a drop in TAS FPLP cases, the FY 2008 level is still nearly 500 percent higher than in FY 2004.[19]

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11 Taxpayer Relief Act of 1997 *(TRA 97)*, Pub. L. No. 105-34, § 1024 (111 Stat. 788, 923) (Aug. 5, 1997).

12 IRS, W&I spreadsheet, *FPLP Monthly Counts* FY 2008. *See* note 2, *supra.*

13 Internal Revenue Code (IRC) §§ 6331(h) and 6343(a)(1)(D).

14 The FMS is the Department of the Treasury agency that processes payments for various federal agencies.

15 Internal REvenue Manual 5.11.7.2.3.2 (Aug. 24, 2007).

16 IRS, W&I spreadsheet, *FPLP Monthly Counts* FY 2008. *See* note 2, *supra.*

17 GAO, GAO 03-356, *Tax Administration, Federal Payment Levy Payment Program Measures, Performance and Equity Can Be Improved* 11 (Mar. 6, 2003). *See* note 4, *supra.*

18 GAO, GAO 03-356, *Tax Administration, Federal Payment Levy Payment Program Measures, Performance and Equity Can Be Improved* 13-15 (Mar. 6, 2003).

19 TAS, *BPMS* (Sept. 2004, 2005, 2006, 2007, 2008).

Concerned by the growing TAS FPLP case inventory and the significant hardship FPLP levies may cause SSA recipients, the National Taxpayer Advocate urged the IRS to develop a new FPLP filter which better protects low income taxpayers from undue hardship, without exempting taxpayers who have the wherewithal to satisfy their tax obligations.[20] During FY 2007, the IRS W&I Division Compliance function agreed to begin a joint study with TAS Research to explore the development of a more effective filter that would protect certain SSA recipients from being unduly burdened by the FPLP levy, but not exempt taxpayers who can afford the levy payment. Initial analysis by the IRS showed that, as indicated by the GAO report, most FPLP taxpayers had not filed a recent income tax return, suggesting the last filed return may not be appropriate to determine which taxpayers can and cannot endure the FPLP levy without hardship.[21]

In the initial phase of the project, the IRS and TAS independently developed preliminary models to predict whether FPLP levies would cause hardship. These models had different results: the IRS model more accurately identified non-hardship cases while the TAS model more accurately identified hardship cases. However, it should be noted that evaluation of the IRS model was based on an assumption that all continuous FPLP cases were non-hardship. Specifically, the IRS presumed that a taxpayer could pay, just because the levy remained in effect, even though financial information was never obtained. On the other hand, the TAS model only evaluated disposed cases where financial information was obtained by the IRS. Both models proved inadequate; a subsequent analysis of the sample data showed that more than half of the cases considered "hardship" by the IRS had previously been in a continuous FPLP levy status.[22] Likewise, the initial analysis also suggested the TAS method of including only dispositions where the financial information secured by the IRS resulted in a biased filter because too many cases were excluded from the analysis. For these reasons, the IRS and TAS agreed to begin a second phase of research during spring 2008.

The second phase of research incorporated payor data reported to the IRS in addition to information included on tax returns, allowing for a reasonable estimate of taxpayers' incomes even if a recent tax return had not been filed.[23] The IRS chose to use this additional taxpayer income information to see if a better mathematical model could be developed, but continued to classify all FPLP continuous levy cases as non-hardship cases. TAS, on the other hand, chose to use the additional taxpayer information to inquire whether IRS ALE standards could accurately determine whether a taxpayer can afford the FPLP levy without experiencing significant hardship. While the National Taxpayer Advocate has noted the shortcomings of the ALE standards, she has also suggested that they could constitute a reasonable "floor" and that the IRS should be flexible in accepting documentation of basic

20 National Taxpayer Advocate 2006 Annual Report to Congress 155, 156.

21 Only 27 percent of the taxpayers receiving FPLP levies during the first six months of FY 2007 had filed 2005 individual income tax returns (most recent tax year available on IRS Compliance Data Warehouse at beginning of study).

22 E-mail from W&I Research analyst dated May 22, 2007.

23 For example, payor data included income reported to IRS from the SSA or interest income reported to the IRS from financial institutions.

living expenses that exceed that "floor."[24] The methodology, findings, and conclusions outlined in this report focus on the viability of using IRS ALE standards along with other taxpayer information to filter Social Security recipients from being subjected to the FPLP levy, when the levy would likely create a financial hardship. The analyses will also explore taxpayer incomes, balances due, and the poverty level, where appropriate.

Background

In FY 2008, more than two million FPLP payments were received from levies issued by the IRS. These FPLP levies garnered an estimated $405 million of federal payments to taxpayers. By far, the most common federal source of payments from the FPLP program is SSA benefits. In fact, more than 83 percent of the FPLP payments received in FY 2008 were from Social Security benefits.[25] FPLP levies are issued by the IRS systemically, without review of the individual facts of the cases. These levies on Social Security payments may result in significant harm to taxpayers, since their Social Security benefits are often their sole or majority source of income.

Social Security Facts:

- Social Security provides at least half of the total income for 65 percent of beneficiaries aged 65 or over, and comprises 90 percent or more of total income for more than 34 percent of this population.[26]
- As of August 2007, Social Security recipients received an average benefit of $962.70 per month.[27]
- The FPLP levy would reduce this amount to $818.29.
- *These facts illustrate how devastating the FPLP levy may be for many Social Security recipients.*

Because of concerns about the effect of the FPLP on low income taxpayers, the National Taxpayer Advocate persuaded the IRS to institute a filter to protect low income Social-Security recipients from FPLP levies. In 2002, the IRS implemented such a filter based on taxpayers' TPI, representing their entire actual income reported on their most recently filed income tax return.[28] A report issued by the GAO in 2003 raised questions about the effectiveness and fairness of this filter. The GAO report cited equal payment rates for taxpayers at or below the TPI threshold and for taxpayers above the TPI threshold. The GAO report also noted that some taxpayers filtered out of the FPLP had other assets such as real

24 National Taxpayer Advocate 2006 Annual Report to Congress 155.

25 IRS, Wage and Investment Division spreadsheet, *FPLP Monthly Counts FY 2008*. [1,797,530 (total number of FPLP SSA levy payments received in FY 2008) / 2,161,974 (total number of FPLP levy payments received in FY 2008) = 83 percent].

26 SSA, *Fast Facts & Figures About Social Security* (Sept. 2007).

27 SSA, Office of Policy, Research, Evaluation and Statistics, *Monthly Statistical Snapshot, Table 2, Social Security Benefits* (Aug. 2007). [$962.70 x 0.15 = $144.41 and $962.70 - $144.41 = $818.29].

28 *See* note 4, *supra*..

estate which might be used to pay the tax obligation. Furthermore, the GAO report noted that many taxpayers filtered out of the FPLP had not filed recent income tax returns and that payor documents submitted to the IRS showed incomes higher than those reported on their last filed returns.[29]

In response to the GAO report, the IRS began to phase out the TPI filter and ultimately eliminated it in 2005. TAS saw a significant increase in its FPLP caseload corresponding to the phase-out and elimination of the filter. From FY 2004 to FY 2006, TAS cases involving the FPLP rose from about 500 to more than 4,000.[30] Accordingly, the National Taxpayer Advocate continued to draw attention to the problems of the FPLP in her Annual Reports to Congress. The IRS agreed to reexamine the possibility of developing a new FPLP filter for SSA recipients. The IRS and TAS began to work on the development of a new filter in 2007.

Beginning in 2007, the IRS and TAS worked together to compile FPLP data to design and test new FPLP filters for SSA recipients. These data included FPLP data, tax return data, and other data regarding taxpayer income reported to the IRS from third parties. The IRS pursued the use of data mining techniques to develop a filter to classify FPLP SSA recipients into "can pay" and "cannot pay" categories. In contrast, TAS pursued the application of IRS ALE standards to classify SSA recipients subject to FPLP levies into "can pay" and "cannot pay" categories. TAS then compared the results of its classification of taxpayers into the two categories to the IRS case disposition. This allowed us to examine the effectiveness of using allowable expenses to classify potential SSA FPLP levy recipients into "can pay" and "cannot pay" categories.

The objective of the analysis is to explore whether the filter would inappropriately exclude from levy a significant number of taxpayers who actually paid or entered into an agreement to pay, resulting in an *unjustified* potential revenue loss to the government. Hardship cases are excluded from the analysis because the revenue loss is *justified*, given the financial hardship the taxpayer would experience if subjected to levy. This report outlines the results of TAS's effort to use IRS allowable expense standards to determine the ability of a recipient of SSA benefits to afford the FPLP levy without enduring financial hardship.

Methodology

W&I Filing and Payment Compliance provided data for all taxpayer delinquent account cases subjected to an FPLP levy during the first six months of FY 2007. This included information on type of tax, taxable period, delinquency balance, and type of IRS disposition of any resolved case. Tax return line item information for this sample of FPLP taxpayers was also extracted from the Individual Returns Transaction File (IRTF) while third-party income information was extracted from the Individual Returns Master File (IRMF).

29 GAO, GAO 03-356, *Tax Administration, Federal Payment Levy Payment Program Measures, Performance and Equity Can Be Improved* 13-15 (Mar. 6, 2003).

30 TAS, *BPMS* (Sept. 2004, 2005, 2006).

TAS Research then used IRTF and IRMF data to construct an estimate of taxpayer income, and developed an estimate of the amount of expenses that should be allowed by the IRS based on its allowable expense standards. To construct its model, TAS Research used third party data to include the full amount of taxpayer income and made conservative assumptions to estimate taxpayer expenses.[31] Although the sample FPLP data were from FY 2007, the IRS 2006 allowable expense standards were in effect throughout this time, and were thus used for the preliminary analysis. However, because the 2006 allowable expense standards have now been updated by the IRS, we have also compared the FPLP data to the 2008 IRS allowable expense standards. While the application of the 2006 standards forms a better basis of comparison to the case disposition (because the cases were disposed in accordance with the 2006 standards), the use of the 2008 standards provides an estimate of their effect, if implemented, on current IRS FPLP cases.

The 2008 ALE standards not only update the 2006 standards, but they also broaden the scope of expenses to include health care. The 2006 IRS allowable expense standards contained guidelines for what the IRS terms its "National Standards" for such items as food and clothing by gross monthly income, transportation costs, and housing and utility expenses. The 2008 IRS ALE standards do not break the National Standard expenses down by gross monthly income but they contain generally larger allowances for these same items, in addition to an allowance for health care. The tables describing the 2006 and 2008 standards are located in the Appendix of this paper.

As described hereafter, the TAS model is designed to be a conservative estimate of taxpayer expenses, while also using multiple sources to ascertain all taxpayer income, even if unreported. For the purposes of TAS's model, we used data from two sources to determine the taxpayers' income to which the allowable expense standards would be compared. We considered:

- The TPI from the tax year 2005 individual federal income tax return.[32]
- The taxpayer's and spouse's income from the IRMF wage and Form 1099 income (SSA, miscellaneous, interest, dividend, and Individual Retirement Account (IRA) and pension income).[33]

Next we developed income estimates based on the previously discussed sources and following the guidelines listed below.

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31 For example, TAS Research used the larger amount between third party payor data and the corresponding line item on the taxpayers federal income tax return to estimate taxpayer income. If the most recent year's tax return was not filed, allowable expenses were based on a household size of one, since the number of dependents could not be determined. Transportation expenses were only allowed for operating one car with no expense allocation for operating additional vehicles or for vehicle ownership. The housing and utility allowance was the *lower* of 20 percent of the taxpayer's total positive income (*lowest* housing expense amount from the Census American Community Survey) or the IRS maximum allowable housing and utility expense amount. The National Standard expense tables are included in the Appendix.

32 To ensure a conservative analysis, tax year 2004 TPI was used if no tax year 2005 return was filed and if the tax year 2004 TPI exceeded the IRMF data available for analysis.

33 Form 1099, *U.S. Information Return*, is an income information document supplied to the taxpayer and the IRS from third party payors. *See* IRC § 6041(a).

- If a taxpayer filed a tax year 2005 return, we compared the IRMF data and the corresponding tax return line item to determine the largest value (*e.g.,* if a taxpayer reported $500 interest income on the 2005 tax return, but the IRMF data showed the taxpayer received $700 of interest income, the $700 amount was used for the taxpayer's interest income).
- For tax year 2005, we computed taxpayers' incomes as the sum of the maximum of the tax return line item or the corresponding IRMF amount and the amount of other income reported on the return for which no IRMF data were available.
- For taxpayers where the most recently filed return was older than 2005, we considered the taxpayers' incomes to be the sum of the IRMF income.

After determining the taxpayers' incomes, we computed the IRS allowable expense amounts as follows:

Annual Allowable Expenses = (National Standard + Transportation + Housing & Utility) X 12[34]

1. The National Standard allowable expense amount was based on the size of household as determined by exemptions claimed on the tax year 2005 return. Absent a 2005 return, we based the National Standard allowable expense amount on a household size of one. See Table A-1 for National Standard expense figures.
2. The Transportation allowable expense amount is based on the lowest regional IRS allowable operating expense for one car. While this amount is provided to everyone for the allowable expense proxy, we provided no allowance for ownership expense, public transportation, or for operating more than one car. *See Tables A-3 and A-4 for transportation expense figures.*
3. The Housing and Utility allowable expense amount is the smaller of 20 percent of total positive income (from return) or the IRS allowable expense amount.[35] The 20 percent of total income is the lowest Census American Community Survey allowance for housing expenses.[36] If a tax return was not filed, or if the most recently filed return was older than tax year 2005, we used the income amounts from Forms 1099 and Forms W-2, *Wage and Tax Statement,* to create a proxy for total positive income. For those records where the smaller amount is the IRS Housing and Utility allowable expense amount, the expense is based on the number of persons in the household, which is taken from exemptions claimed on the tax year 2005 return. If a tax year 2005 return was not filed, the household size was set at one. *See Tables A-5 and A-6 for examples of housing and utility expense figures.*

34 The 2008 allowable expense standards also included an allowance for health care. See Table A-2, *infra*, for health care expense allowances.

35 The taxpayer's ZIP Code was determined from the SSA address and mapped to the corresponding state and county using a commercial database. For the 185,513 SSA FPLP records, 1,368 did not have a reported ZIP Code from the SSA. An additional 6,988 cases could not be mapped to the IRS allowable expense listing of states and counties, mostly due to differences in the layout of the county name (*e.g.*, presence or absence of a hyphen). In these instances, the national average for each county (by household size) was used.

36 This figure comes from the Census Bureau's American Fact Finder, a web-based research tool on www.census.gov, the U.S. Census website.

We then performed additional analyses to explore the availability of other taxpayer assets to satisfy the liability. The GAO report examined IRMF data to look for the presence of real estate which could be leveraged to satisfy the delinquent liability. A similar analysis, conducted for this report, looked for tax return data on mortgage interest or real estate taxes paid and IRMF data on mortgage interest paid. This information on potential assets was cross-referenced with the allowable expense classification of a taxpayer's ability to pay. This report further includes an additional asset analysis that examines interest, dividend, and positive income amounts from Form 1040 Schedule D, *Capital Gains and Losses*, and extrapolates an underlying asset value by assuming a five percent return on investment. Again, these results are cross-referenced with the allowable expense classification of a taxpayer's ability to pay.

Finally, to determine if IRS data sources are sufficient to determine the presence of assets which could be used to satisfy the tax liability, we conducted a test on a sample of the cases classified as unable to pay. We pulled a stratified sample of 700 cases classified as unable to pay by either the 2006 or 2008 allowable expense analysis and then compared it with a third party data source of individuals' property.[37] Next, we compared the presence of property from this sample to internal IRS sources suggesting the availability of property in order to examine the IRS's ability to detect property that could possibly be used to satisfy a delinquency if data indicate that income is insufficient for payment to the IRS.

Limitations

In addition to the limitations described in the prior methods section, the following limitations were also present:

Although for FY 2007 FPLP cases, the most recent tax return due was tax year 2006, the most recent data available for analysis was tax year 2005.

The following cases were removed from analysis because of special circumstances:

- 3,305 cases were removed because the case had multiple delinquencies with different disposition types.
- 2,243 cases were removed from analysis because the cases were in a collection status other than continuous levy, full pay, or IA (*e.g.,* bankruptcy, offer in compromise, etc).[38]

Some significant differences exist between the comparison of the 2006 and 2008 allowable expense proxies to the case dispositions. This is not unexpected because of generally larger 2008 allowable expense amounts, particularly for lower income taxpayers. Accordingly, the comparison of the 2008 allowable expense proxy and the case dispositions should not be

[37] The LexisNexis Accurint database for IRS was used for this property search. Accurint for IRS is a web-based research tool for public records/asset locator research. Additional databases have been added to the tool for specific IRS needs.

[38] Ultimately, 185,513 cases remained for analysis.

viewed as a measure of accuracy of the 2008 proxy, but rather as an estimate of the effect of using the 2008 allowable expense proxy as a filter for the FPLP.[39]

Findings

As previously described, the models compare a proxy for IRS allowable expenses to a taxpayer's income to determine whether an ability to pay existed. TAS attempted to estimate expenses conservatively to ensure that taxpayers with an ability to pay were not inappropriately removed from the FPLP. TAS Research placed taxpayers with incomes greater than their allowable expenses in the "can pay" group, while placing taxpayers with incomes less than or equal to their allowable expenses in the "cannot pay" group.[40] The models then compared these two groups to the status of the taxpayer's account (at the time of sample extraction) as depicted in Table 1.[41]

Evaluating Taxpayer's Ability to Pay

Table 1 shows that the largest category of sample cases is those subject to an ongoing FPLP levy. The IRS has generally not received financial information for these taxpayers and has not closed their collection cases. Accordingly, the TAS allowable expense model results cannot be compared to the IRS disposition. Nevertheless, these findings suggest that a significant number of taxpayers are subject to a levy on their SSA income, even though they cannot afford the levy. The fact that over half of the FPLP sample cases disposed by the IRS as hardship were once in an ongoing FPLP levy status further supports this finding.[42] Based on current IRS expense standards, over one-third of taxpayers subject to an ongoing FPLP levy cannot afford this loss of income.[43]

39 Taxpayer incomes may have increased from 2005 to 2007 (the most recent year available for implementation of a filter). This use of the older income data may result in an overstatement of the number of taxpayers screened by such a filter; however this should have no impact on the filter's accuracy.

40 Forty-five taxpayers classified as unable to pay by the allowable expense analysis were claimed as a dependent on another tax return; however, even if no housing expenses were allowed to these individuals, their allowable expenses still exceed their income.

41 The objective of the analysis is to explore whether the filter would inappropriately exclude from levy a significant number of taxpayers who actually paid or entered into an agreement to pay, resulting in an unjustified potential revenue loss to the government. Hardship cases are excluded from the analysis, because the revenue loss is justified due to the financial hardship the taxpayer would experience if subjected to levy.

42 E-mail from W&I Research analyst (May 22, 2007).

43 *See* Table 1 (53,102 / (53,102 + 103,953)).

Table 1, Taxpayer Ability to Pay (Using 2006 and 2008 Standards)

	2006			2008		
Case Status/Ability to Pay	Cannot Pay[44]	Can Pay	Total	Cannot Pay	Can Pay	Total
Levy	28,420	128,635	157,055	53,102	103,953	157,055
Paid	***785***	14,435	15,220	***2,333***	12,887	15,220
Installment Agreements	***935***	12,303	13,238	***2,695***	10,543	13,238
Totals	30,140	155,373	185,513	58,130	127,383	185,513

In Table 1 above, italicized cells indicate those instances where the allowable expense proxy classified the cases differently from the IRS disposition. The 2006 allowable expense proxy classified six percent of sample cases as being unable to pay, even though the taxpayer either paid the balance due or entered into an arrangement with the IRS to pay the liability.[45] The 2008 allowable expense proxy classified nearly 18 percent of the sample cases as being unable to pay, even though these cases had full payment or installment agreement dispositions. This level of inconsistency is to be expected, however, since the dispositions were made according to the 2006 ALE. Many of these inconsistencies may have a reasonable explanation, and will be explored in some detail hereafter.

Analysis - Inconsistencies

The following sections compare the Collection case dispositions with both the 2006 and 2008 allowable expense proxies. The disposition cross-tabulations to the 2006 and 2008 allowable expense proxies are shown side-by-side for ease of comparison.

Full Pay Cases where Allowable Expense Proxy Shows an Inability to Pay

As indicated in Table 1, slightly more than 2,300 taxpayers full paid their liabilities, even though the 2008 allowable expense proxy showed these taxpayers to be unable to pay.[46] Although this represents nearly a 200 percent increase from the application of the 2006 allowable expense proxy, the actual increase in number of cases is relatively small at only 1,548. The increase is reasonable given the generally larger expense allowances for 2008. As indicated in Table 2 below, 80 percent of these taxpayers had total liabilities of at most $870 with 70 percent having liabilities of $451 or less, regardless of which year's allowable expense standards were used.

44 Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, is used to report income from both pensions and IRA distributions. For this analysis, Form 1099-R was compared to IRA distributions reported on the tax return. Data were not available to determine whether the 1099-R was for pension income or IRA distributions. As a result, nine cases classified as "cannot pay" cases could potentially be classified as "can pay" cases, if the Form 1099R were compared to pension income instead of IRA distributions.

45 *See* Table 1. Six percent = (785 + 935) / (785 + 935 + 14,435 + 12,303).
Eighteen percent = (2,333 + 2,695) / (2,333 + 2,695 + 12,887 + 10,453).

46 The exact number is 2,333. *See* Table 1.

Table 2, Tax Liability Amounts of Full Pay Taxpayers Classified as Unable to Pay Using 2006 and 2008 Allowable Living Expense Standards

2006 Standards		2008 Standards	
Percentiles	Balance Due	Percentiles	Balance Due
10	$ 0	10	$ 0
20	$ 41	20	$ 43
30	$ 82	30	$ 89
40	$ 114	40	$ 127
50	$ 184	50	$ 186
60	$ 264	60	$ 282
70	***$ 434***	***70***	***$ 451***
80	***$ 870***	***80***	***$ 837***
90	$ 2,366	90	$ 2,433
Mean	$ 2,638	**Mean**	$ 2,219

It seems likely that based on IRS guidelines, these taxpayers did not have an ability to pay but were able to compensate for missing income for the relatively short period of time required to pay off their balance due. Most likely, these taxpayers either went without necessary expenses or borrowed from family or friends to pay their tax liability.

Table 3 shows that taxpayers in this group did not generally have high incomes. Although the more generous 2008 allowable expenses show that significantly more taxpayers who paid their liability would now be classified as unable to pay, more than two-thirds of these taxpayers had incomes at or below the 2008 poverty level. The poverty level varies by household size. For 2008, the poverty level for a household size of two is $14,000, with an extra allowance of $3,600 for each additional person in the household. About 64 percent of these 2,333 taxpayers had a household size of two or more.

Table 3, Income Levels of Full Pay Taxpayers Classified as Unable to Pay Using 2006 and 2008 Allowable Expenses

Percentiles	Best Income	
	2006 standards	2008 standards
10	$ 2,401	$ 5,013
20	$ 3,968	$ 7,376
30	$ 5,056	$ 8,742
40	$ 6,090	$ 9,919
50	$ 6,823	$ 10,913
60	$ 7,422	$ 13,271
70	$ 7,955	$ 15,169
80	$ 8,443	$ 17,290
90	$ 10,606	$ 19,886
Mean	$ 6,600	$ 12,175

Installment Agreement Cases where Allowable Expense Proxy Shows an Inability to Pay

Table 1 showed that nearly 2,700 FPLP taxpayers entered into installment agreements, even though the 2008 allowable expense proxy showed them to be unable to pay.[47] While the number filtered out by application of the 2008 ALE standards is almost three times the number filtered out by the 2006 ALE, this increase is reasonable given the generally higher allowances associated with the 2008 standards. Moreover, only 119 (4.4 percent) of these IAs required taxpayers to submit financial information (non-streamlined IAs). Since the IRS did not collect financial information from these taxpayers, it is possible that they experienced financial hardship by entering into an agreement to pay their liabilities. While the 2008 allowable expense proxy classified 14.7 percent of non-streamlined installment agreement cases as *not* having an ability to pay, the 2006 allowable expense standards, under which the IA was established, classified only 6.6 percent as not having an ability to pay. As shown in Table 4, taxpayers with IAs classified as unable to pay by the 2008 allowable expense proxy also had significantly higher incomes than those classified as unable to pay by the 2006 allowable expense proxy. Nevertheless, more than 70 percent of the IA cases classified as unable to pay by the 2008 allowable expense proxy had incomes at or below the 2008 poverty level.[48]

47 The exact number is 2,695. *See* Table 1.

48 The poverty level varies by household size. For 2008, the poverty level for a household size of one is $10,400, with an extra allowance of $3,600 for each additional person in the household. About 55 percent of these 2,695 taxpayers had a household size of two or more.

Table 4, Income Levels of Installment Agreement Taxpayers Classified as Unable to Pay Using 2006 and 2008 Standards

	Best Income	
Percentiles	**2006 standards**	**2008 standards**
10	$ 2,467	$ 5,114
20	$ 4,131	$ 7,090
30	$ 5,219	$ 8,380
40	$ 6,072	$ 9,381
50	$ 6,732	$ 10,294
60	$ 7,214	$ 11,160
70	$ 7,728	$ 13,719
80	$ 8,153	$ 16,224
90	$ 9,539	$ 18,792
Mean	$ 6,438	$ 11,355

In contrast to those taxpayers who paid their liability in full, these taxpayers generally have larger outstanding liabilities.

Table 5, Tax Liability Amounts of Installment Agreement Taxpayers Classified as Unable to Pay Using 2006 and 2008 Standards

	Balance Due	
Percentiles	**2006 Standards**	**2008 Standards**
10	$ 86	$ 139
20	$ 261	$ 318
30	$ 434	$ 514
40	$ 690	$ 767
50	$ 1,036	$ 1,062
60	$ 1,425	$ 1,479
70	$ 1,975	$ 2,137
80	$ 3,284	$ 3,242
90	$ 5,952	$ 5,690
Mean	$ 3,373	$ 3,223

Additional Analyses

Assets to Satisfy Delinquent Tax Liability

We performed additional analyses to estimate if the taxpayer had other assets to satisfy the tax obligation. For one analysis, the sum of a taxpayer's interest, dividend, and Schedule D profit (liquid assets) was computed to estimate the underlying principal asset, presuming an annual rate of return of five percent per year.[49] The results of this analysis are displayed in the following table:

Table 6, Taxpayers with Liquid Assets Available

	2008 Allowable Expense Classification		
Case Status/Ability to Pay	**Cannot Pay**	**Can Pay**	**Total**
Ongoing FPLP Levy	24	196	220
Paid	897	7,139	8,036
Installment Agreement	397	2,430	2,827
Total	**1,318**	**9,765**	**11,083**

Table 6 shows that over 85 percent of individuals with interest, dividend or capital gain-producing assets sufficient to satisfy the liability were already classified as able to pay ("can pay" column) according to the 2008 allowable expense proxy, although a small additional number of taxpayers show that they *may* have sufficient assets to satisfy the liability.[50] The number of taxpayers with sufficient assets to potentially satisfy the liability, but classified as unable to pay, is even smaller when compared to the 2006 allowable expense proxy.

We also reviewed the presence of real estate as indicated by mortgage interest or taxes deducted on Form 1040 Schedule A, or from mortgage interest reported to the IRS by third party lenders on Form 1098, *Mortgage Interest Statement.* Table 7 depicts the distribution of taxpayers by ability to pay, with an underlying principal asset greater than the tax liability (*i.e.*, those taxpayers depicted in the prior table) *or* with real estate.[51]

Table 7, Taxpayers with Liquid or Real Estate Assets Available

	2008 Allowable Expense Classification		
Case Status/Ability to Pay	**Cannot pay**	**Can Pay**	**Total**
Ongoing FPLP Levy	1,296	19,470	20,766
Paid	1,009	8,945	9,954
Installment Agreement	533	4,702	5,235
Total	**2,838**	**33,117**	**35,955**

Again, this table also shows that about 90 percent of taxpayers who *may* have sufficient liquid or real estate assets to satisfy the liability would be already classified as able to pay

49 Interest and dividend amounts reported on the tax return were compared to their corresponding IRMF amounts and the higher value was used.

50 Calculation for over 85 percent = 9,765 / 11,083.

51 No attempt was made to value the real estate or determine if it contains equity.

based on the 2008 allowable expense proxy.[52] Nevertheless, a small additional number of taxpayers show that they *may* have sufficient assets to satisfy the liability.

Test of Third Party Data Source to Locate Taxpayer Assets

A significant concern raised by GAO in its report on the previous FPLP filter used by the IRS was that many of the taxpayers had other assets which might have been used to satisfy the tax liability. To further explore this issue, TAS Research randomly selected 700 taxpayers from the FPLP taxpayer data provided for this project by W&I Compliance, where the 2008 allowable expense proxy showed the taxpayer as being unable to pay. We ran these taxpayers against the Accurint database to search for property which could possibly be used to satisfy the delinquent tax obligations.[53] Overall, 31.5 percent of the sample showed the presence of some type of real property.[54] Those taxpayers where Accurint showed the presence of real estate were cross-referenced with IRS tax return and Form 1098 data. The IRS data showed the presence of real estate in about 40 percent of these cases.[55] It is unknown whether the remaining 60 percent of the cases had real property not detectable by tax data sources, or whether the Accurint data is incorrect. Nevertheless, even if these taxpayers had real estate which could not be detected from IRS data, the population is relatively small at only about 19 percent of the taxpayers shown by the allowable expense proxy to be unable to pay. Accordingly, this analysis indicates that internal IRS data is mostly sufficient to determine whether a taxpayer has other assets, besides income, which could be leveraged by the IRS to obtain payment of the tax liability.

Comparison of 2008 Allowable Expense Proxy to the 2008 Poverty Level

We further examined whether use of the federal poverty level[56] would prove a simpler method to filter out and protect Social Security recipients from economic hardship due to FPLP levies. Table 8 depicts the federal poverty level for 2008, which was used in the analyses shown below.

Table 8, Poverty Levels For 2008

Poverty Level	2008 Poverty Level Income		
	1 person	2 persons	Additional person (over 1)
100 percent	$10,400	$14,000	$3,600
125 percent	$13,000	$17,500	$4,500
150 percent	$15,600	$21,000	$5,400

52 Calculation for 90 percent = 33,117 / 35,955 = 92.1 percent.

53 The LexisNexis Accurint database for IRS was used for this property search. Accurint for IRS is a web-based research tool for public records/asset locator research. Additional databases have been added to the tool for specific IRS needs.

54 The sample results were 31.5 percent plus or minus 3.9 percent at the 95 percent confidence interval.

55 The sample results were 40.0 percent plus or minus 4.0 percent at the 95 percent confidence interval.

56 The federal poverty guidelines are issued each year in the *Federal Register* by the Department of Health and Human Services (HHS).

The following table compares the differences in results between the allowable expense and poverty level methods.

Table 9, Comparison of 2008 Poverty Level Filter to 2008 Allowable Expense Proxy[57]

	2008 Poverty Level	
	Cannot Pay	Can Pay
Allowable Expense Classification Cannot Pay	49,289	9,841
Allowable Expense Classification Can Pay	75	127,308
Total	48,364	137,149
Percent of Total	26.1%	73.9%

Table 9 shows that nearly 10,000 taxpayers would be classified as able to pay according to a 2008 poverty level filter, even though the 2008 allowable expense proxy shows these same taxpayers as being unable to pay.[58] This is not surprising given that the 2008 allowable expense standards often provide an expense allowance somewhat above the poverty level.[59] Even more importantly, Table 9 shows that more than one-quarter of taxpayers who paid their tax liability, had an IA, or who were experiencing an ongoing levy had incomes below the poverty level.

If the filter were 125 percent of the poverty level, then 87 percent of the taxpayers with incomes above the poverty level but showing no ability to pay according to the 2008 allowable expense proxy would then be classified as unable to pay. Table 10 depicts this result.

Table 10, Comparison of 125 Percent of 2008 Poverty Level Filter to 2008 Allowable Expense Proxy[60]

	2008 - 125 Percent of Poverty Level	
	Cannot Pay	Can Pay
Allowable Expense Classification Cannot Pay	56,806	1,324
Allowable Expense Classification Can Pay	10,073	117,310

While moving the filter to 125 percent of the poverty level would also filter out most taxpayers shown as unable to pay according to the 2008 ALE proxy, the number of taxpayers

57 For 2008, the poverty level for a household size of one is $10,400, with an extra allowance of $3,600 for each additional person in the household. About 83 percent of those identified as 'Cannot Pay' by the Allowable Expense analysis were also identified as "Cannot Pay" by the Poverty Level analysis. (48,289 / (48,289 + 9,841)) = 83.1 percent.

58 84.8 percent of these cases remained subject to an FPLP levy.

59 Small Business/Self-Employed Division Collection, *ALE Comparisons Application of Allowable Living Expenses to Various Family Sizes and Expense Categories* (June 25, 2008).

60 For 2008, the poverty level for a household size of one is $10,400, with an extra allowance of $3,600 for each additional person in the household. More than 97 percent of those identified as "Cannot Pay" by the allowable expense analysis were also identified as 'Cannot Pay' by the 125 percent of poverty level analysis. (56,806 / (56,806 + 1,324)) = 97.7 percent.

excluded by the 125 percent poverty level filter, but with an ability to pay according to the 2008 ALE proxy also increases significantly. As indicated by Table 11, moving the filter to 150 percent of the poverty level would protect all taxpayers filtered out by the 2008 ALE proxy from an FPLP levy. However, the number of taxpayers also filtered out, but showing an ability to pay according to the 2008 ALE proxy, increases even more.

Table 11, Comparison of 150 Percent of 2008 Poverty Level Filter to 2008 Allowable Expense Proxy[61]

	2008 - 150 Percent of Poverty Level	
	Cannot Pay	Can Pay
Allowable Expense Classification Cannot Pay	58,130	0
Allowable Expense Classification Can Pay	25,045	102,338

Ability to Make More than a Nominal Payment

We further conducted separate analyses to review the taxpayer's ability to pay based on the minimum IRS installment agreement payment amount and the FPLP levy 15 percent attachment amount. As presented in the following tables, if a taxpayer's income were required to show an ability to pay at least equal to the IRS minimum IA payment, a similar number of cases would be moved from the "can pay" category to the "cannot pay" category with either the application of the 2006 or 2008 allowable expense standard proxies. Table 12 shows the number of taxpayers who show a minimal ability to pay on their tax liability, but whose incomes exceed their estimated allowable expense by less than the amount necessary for the minimum IA payment.

Table 12, Classified as "Can Pay": Unable to Make Minimum Installment Agreement

	Unable to Make Minimum Installment Agreement Payment	
Case Status	2006 Standard	2008 Standard
Ongoing FPLP Levy	2,515	2,298
Paid	75	113
IA	103	126

Table 13 depicts taxpayers with some ability to pay on their tax liability, but who cannot afford the 15 percent FPLP attachment to their Social Security Income. This table shows that a significant percentage of taxpayers cannot afford the FPLP attachment amount, even though they have *some* ability to pay.

61 For 2008, the poverty level for a household size of one is $10,400, with an extra allowance of $3,600 for each additional person in the household. One hundred percent of those identified as "Cannot Pay" by the Allowable Expense analysis were also identified as 'Cannot Pay' by the 150 percent of poverty level analysis. (58,130 / (58,130 + 0)) = 100 percent.

Table 13, Classified as "Can Pay": Unable to Afford FPLP Levy

Case Status	Cannot Afford FPLP Attachment			
	2006 Standard	Percent	2008 Standard	Percent
Ongoing FPLP Levy	15,979	12.4%	12,952	12.5%
Paid	534	3.7%	643	5.0%
IA	737	6.0%	745	7.1%
Total	**17,250**	**11.1%**	**14.340**	**11.3%**

The scenarios for both allowable expense proxies show that comparing the taxpayers' income and allowable expenses to either the ability to afford the IRS minimum IA amount or the FPLP attachment amount moves a significant number of taxpayers from the "can pay" to the "cannot pay" group. Most of the affected taxpayer delinquencies were in continuous levy status and had not been disposed of by the IRS.

Conclusions

Overall, the TAS model demonstrates sufficient reliability to be considered for use by the IRS.

- An analysis of taxpayer incomes supports the model's classification results and shows that in many cases where the taxpayer agreed to pay the liability, the taxpayer may have experienced hardship.
- Although about 11 percent of taxpayers classified as "can pay" by the model have incomes exceeding the allowable expenses, further analysis finds that their incomes are still insufficient for them to afford the 15 percent FPLP attachment.
- Over one-third of all FPLP cases subject to an ongoing FPLP levy would likely be classified as unable to pay based on current IRS allowable expense guidelines.
- More than one-quarter of FPLP taxpayers who paid their tax liability, entered into an installment agreement with the IRS, or who were subject to an ongoing FPLP level had incomes at or below the poverty level.
- Most taxpayers with small liabilities endured the FPLP Social Security levy, even though their incomes showed an inability to pay, thus suggesting that they may have forgone some basic living expenses.
- Although the 2008 allowable expense standards are typically more generous than the 2006 standards and classified more taxpayers who paid or established IAs as being unable to pay, most of these taxpayers still had incomes at or below the poverty level.
- An analysis of taxpayer assets located by a third-party data source shows that the IRS has sufficient tax data to determine if many of these taxpayers have assets which may be used to satisfy a tax delinquency.

Recommendation

Conduct a field test of the allowable expense proxy to determine its accuracy in protecting low income Social Security recipients from economic hardship without unfairly filtering out taxpayers who have the wherewithal to satisfy their tax liabilities. During the test, financial information would be collected from taxpayers selected to participate. The results of this analysis could then be compared to results of the simulated financial analysis performed by the filter to determine its accuracy. If the field test verifies the accuracy of the allowable expense model, the IRS should proceed to implement this filter to protect taxpayers from FPLP levies which would cause economic hardship.

Appendix: National Allowable Living Expense Standards

Table A-1, National Standards By Gross Monthly Income[62]

	Gross Monthly Income								
	2006								2008
Total Amount for:	less than $833	$833 to $1,249	$1,250 to $1,666	$1,667 to $2,499	$2,500 to $3,333	$3,334 to $4,166	$4,167 to $5,833	$5,834 and over	All income levels
One Person	$367	$409	$461	$498	$556	$621	$703	$916	$507
Two Persons	$578	$595	$627	$679	$744	$825	$904	$1,306	$961
Three Persons	$802	$808	$812	$819	$924	$937	$1,017	$1,368	$1,151
Four Persons	$856	$890	$936	$941	$1,042	$1,063	$1,203	$1,546	$1,370
More than Four Persons (For each additional person, add to four person total allowance:)	$138	$149	$160	$171	$182	$193	$204	$216	$262

Data Source: IRS Collection Financial Standards, 2006, 2008

Table A-2, 2008 National Standards for Health Care (Monthly)

Age	Out of Pocket Costs
Under 65	$57
65 and Older	$144

62 The IRS did not break down the 2008 national standards by gross monthly income, hence the table reflects only one standard for each family size.

Table A-3, 2006 Transportation Standards

Ownership Costs			
		One Car	Two Cars
National		$471	$803
Operating Costs & Public Transportation Costs			
	No Car	One Car	Two Cars
Northeast Region	$238	$311	$393
Boston	$267	$300	$382
New York	$313	$402	$484
Philadelphia	$245	$304	$386
Pittsburgh	$167	$274	$357
Midwest Region	$199	$275	$358
Chicago	$264	$327	$410
Cincinnati	$227	$260	$343
Cleveland	$204	$280	$362
Detroit	$320	$390	$473
Kansas City	$252	$296	$379
Milwaukee	$214	$254	$336
Minneapolis-St. Paul	$284	$333	$416
St. Louis	$207	$264	$346
South Region	$203	$260	$343
Atlanta	$291	$238	$320
Baltimore	$233	$271	$353
Dallas-Ft. Worth	$317	$348	$430
Houston	$287	$338	$420
Miami	$292	$348	$431
Tampa	$264	$253	$336
Washington, D.C.	$299	$350	$433
West Region	$252	$338	$420
Anchorage	$319	$341	$423
Denver	$312	$338	$420
Honolulu	$300	$328	$410
Los Angeles	$284	$426	$508
Phoenix	$275	$351	$433
Portland	$194	$297	$379
San Diego	$322	$382	$464
San Francisco	$325	$401	$484
Seattle	$267	$329	$412

Table A-4, 2008 Transportation Standards

Public Transportation		
National	$163	
Ownership Costs		
	One Car	**Two Cars**
National	$489	$978
Operating Costs		
	One Car	**Two Cars**
Northeast Region	$235	$470
Boston	$225	$450
New York	$280	$560
Philadelphia	$235	$470
Midwest Region	$183	$366
Chicago	$217	$434
Cleveland	$186	$372
Detroit	$267	$534
Minneapolis-St. Paul	$187	$374
South Region	$201	$402
Atlanta	$226	$452
Baltimore	$217	$434
Dallas-Ft. Worth	$228	$456
Houston	$263	$526
Miami	$275	$550
Washington, D.C.	$230	$460
West Region	$211	$422
Los Angeles	$261	$522
Phoenix	$232	$464
San Diego	$244	$488
San Francisco	$261	$522
Seattle	$192	$384

The IRS computes housing and utility expense standards on a county by county basis and the tables are therefore too voluminous to display; however, the following tables contain an excerpt from the 2006 and 2008 standards:

Table A-5, 2006 Maine Housing and Utility Standards

Maine Housing & Utilities Standards by County			
County	Family of 2 or less	Family of 3	Family of 4 or more
Androscoggin County	1,021	1,201	1,381
Aroostook County	748	880	1,012
Cumberland County	1,207	1,420	1,633
Franklin County	845	994	1,144
Hancock County	986	1,160	1,334
Kennebec County	944	1,111	1,278
Knox County	963	1,133	1,303
Lincoln County	965	1,135	1,306
Oxford County	871	1,025	1,178
Penobscot County	930	1,095	1,259
Piscataquis County	735	865	995
Sagadahoc County	1,066	1,254	1,443
Somerset County	793	933	1,072
Waldo County	907	1,067	1,227
Washington County	735	865	995
York County	1,142	1,344	1,545

Table A-6, 2008 Maine Housing and Utility Standards

2008 Maine Housing and Utility Standards by County

County	Housing and Utilities for a Family of 1	Housing and Utilities for a Family of 2	Housing and Utilities for a Family of 3	Housing and Utilities for a Family of 4	Housing and Utilities for a Family of 5 or more
Androscoggin County	1,090	1,281	1,349	1,505	1,529
Aroostook County	808	949	1,000	1,115	1,133
Cumberland County	1,283	1,507	1,588	1,771	1,800
Franklin County	908	1,067	1,124	1,254	1,274
Hancock County	1,054	1,238	1,305	1,455	1,478
Kennebec County	1,011	1,188	1,251	1,395	1,418
Knox County	1,031	1,211	1,276	1,422	1,445
Lincoln County	1,033	1,213	1,278	1,425	1,448
Oxford County	935	1,098	1,157	1,290	1,311
Penobscot County	997	1,171	1,234	1,375	1,398
Piscataquis County	794	933	983	1,096	1,114
Sagadahoc County	1,138	1,336	1,408	1,570	1,595
Somerset County	854	1,003	1,057	1,178	1,197
Waldo County	972	1,142	1,203	1,341	1,363
Washington County	794	933	983	1,096	1,114
York County	1,205	1,415	1,491	1,662	1,689