

The Nation

IRS Takes Property After Computer Error; Refuses Compensation, Declines to Apologize

By National Center for Public Policy Research

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(Editor's Note: The following is the 48th of 100 stories regarding government regulation from the book Shattered Dreams, written by the National Center for Public Policy Research. CNSNews.com will publish an additional story each day.)

Tax attorney Earl Epstein of Philadelphia testified before the U.S. Senate Finance Committee that one of his clients, whose name remained confidential, had had a lien placed on her small beauty shop by the Internal Revenue Service Collection Division. The lien was for unpaid taxes of approximately \$175.

To clear the lien, the IRS sold the client's shop equipment at auction, putting her out of business. At the auction, the client had produced the canceled check with which she had paid the tax to the IRS. The IRS agent refused to listen to her and proceeded with the sale.

Subsequently, the woman hired a lawyer, who obtained copies of the computer records of her account from the IRS. He was able to show that the IRS had made an erroneous double entry of the tax on their computer system. In other words, an IRS error had led to the lien.

Although the IRS acknowledged the error to the woman's lawyer, it refused to repay the money it collected on the sale of her property. Since the law at that time did not permit an award of damages for such a small amount, there was little that could be done, save alert her congressman to her plight.

As a result of a letter to her congressman, a bill was introduced in the U.S. House of Representatives to permit her to bring an action against the federal government for damages. The bill died in committee, and she was never compensated. She also never received an apology from the IRS.

Source: Testimony of Earl Epstein before the Senate Finance Committee

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