

Part IV - Items of General Interest

Internal Revenue Service Announces New Procedures For Handling Matters In Bankruptcy

Announcement 98-89

The Internal Revenue Service has undertaken a new initiative to improve its procedures for handling bankruptcy cases. The new procedures are intended to minimize the likelihood that IRS collection actions will inadvertently violate the bankruptcy laws, to facilitate prompt correction of any violations that do occur, and to provide an administrative process for handling any claims for damages against the IRS that arise from such violations.

The initiative includes new administrative measures to speed the processing of bankruptcy matters. The IRS has designated specific points of contact who will coordinate the handling of violations of the automatic stay and the discharge injunction of the bankruptcy laws. These contact points will be part of the Special Procedures Function (SPF) in the local IRS Collection Division. SPF will expeditiously handle these cases according to specific time guidelines in order to ensure compliance with the bankruptcy laws. These procedures will be reflected in the next version of IRM Part V Bankruptcy Handbook 5.9. In addition, the IRS is notifying bankruptcy practitioners throughout the country of the address in each district to which bankruptcy petitions and all other bankruptcy correspondence should be sent.

The initiative also provides for a pilot program to test new administrative procedures for handling any claims for damages debtors may have in cases where the IRS fails to properly comply with the bankruptcy laws. Under Section 7433 of the Internal Revenue Code, as amended by the Internal Revenue Service Reform and Restructuring Act of 1998, debtors may be entitled to recover damages for actual economic losses they sustain as a result of willful violations of the bankruptcy laws by the IRS. Attorney's fees in these cases may also be available pursuant to Internal Revenue Code Section 7430.

While the new procedures for processing bankruptcy cases are intended to minimize any such violations, the IRS believes it is appropriate to test a simplified administrative process for handling cases in which debtors believe they have suffered damages because of improper IRS actions. Under this process, debtors may elect to file claims for damages with the local SPF office rather than with the bankruptcy court. Claims for damages must be made in writing and must include supporting documentation

requested by the SPF office. SPF will evaluate and respond to these claims within sixty days.

The IRS will be undertaking outreach efforts to explain its new procedures to bankruptcy practitioners and other interested parties across the country. For additional information about these new procedures, contact the local Special Procedures Function office.