

Tax Fairness Coalition: keep IRS private debt collectors

by Bend Weekly News Sources

The Tax Fairness Coalition said today that new legislation introduced to end the IRS Private Debt Collection (PDC) initiative would increase the tax gap and contribute to an additional crisis of confidence taxpayers are having in the basic fairness of America's tax system.

"For several years, the IRS has not managed to collect back taxes from the 7.4 million Americans who acknowledge they owe money to the federal treasury. Private collection agencies have contacted taxpayers and collected over \$11 million in back taxes in just three months," the Coalition said today. "Private collection agencies have successfully augmented the collection efforts of the IRS while adhering to strict guidelines that protect taxpayers and their personal information. Private collection agencies have recouped vital revenue and are helping to restore American confidence in the basic fairness of our tax system."

Private Collection Agencies (PCA's) have already exceeded IRS expectations for collections. According to the IRS, the program collected over \$11 million in its first 3 months, exceeding the target set for its initial year. The IRS expects the program to recover \$1.4 billion over a 10-year span.

This money was collected according to strict IRS regulations designed to protect taxpayer rights and their sensitive financial information. The IRS reports that with the Private Debt Collection initiative, "There have been no instances of fraud or misuse of taxpayer information." In fact, private collection agencies have earned quality ratings of 97 to 100 percent for customer service. Even the National Taxpayer Advocate noted in her recent report that only one-half of 1% of taxpayers contacted by PCA's asked to have their case referred back to the IRS when informed of that right.

"The union and their Congressmen today used fear and innuendo designed to kill a successful program that threatens their members who have failed to collect these taxes in the first place. For instance, opponents routinely and erroneously claim that private collection agencies could jeopardize sensitive taxpayer information. In fact, the agencies are provided only limited contact information but do not have access to tax returns. The record shows that private collections have accomplished the IRS mission while protecting taxpayers' rights."

"Following several high profile security breaches at government agencies that jeopardized private information, it's clear that taxpayer information may be more secure in the hands of private collection agencies than in the hands of the government."

According to the IRS, "The Private Debt Collection initiative allows the IRS to ensure that more delinquent taxpayers are personally assisted with meeting their obligations." The IRS further states, "We are experiencing the benefits of the efforts of PCA employees and the thousands of contacts made on outstanding accounts." All funds collected through the PDC initiative are sent directly to the U.S. Treasury, 25% of which are retained by the IRS to upgrade and enhance their own enforcement efforts, including hiring of additional collection agents.

"It simply makes no sense to go back to a broken system that failed to collect taxes from 7.4 million taxpayers. Using private collection agencies is a cost effective solution to close the tax gap. The effective cost of adding additional IRS agents is well above three cents per dollar collected when overhead, pensions, benefits, training and other costs associated with new government employees are included."

The federal government followed the lead of 41 states in employing private collections agencies. The agencies were selected after a competitive bid process where over 30 companies submitted proposals. Agencies were selected that provided their services for the best value while maintaining an excellent record of lawful and ethical collection practices. Private collection agencies have been working with local, state, and federal government agencies for more than 25 years, helping to ensure all Americans pay their fair share. In addition, private collection agencies play a vital role in the U.S. economy. According to the Bureau of Labor Statistics, the private collection industry supported 426,700 American jobs in 2005, with a payroll of \$15 billion.

"The union and their Congressman are doing taxpayers a disservice by trying to deny federal taxpayers the same expectations of collections that 41 states have had for over 25 years."

About the Tax Fairness Coalition

The Tax Fairness Coalition represents the agencies selected by the IRS to help recover billions of dollars in unpaid taxes. The group is committed to helping the IRS close the tax gap, and returning those funds to the U.S. Treasury so they can pay for critical investments in areas such as education and health care. The Coalition believes the collection of overdue taxes is about fundamental fairness, to the vast majority of Americans who pay their taxes on time and as required by law, as much as it is about dollars and cents.
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