

What Won't the IRS Do?

by Richard Burton, Publisher

Taxpayers beware. Congress has given private collection agencies the green light to go after delinquent taxpayers, a direct effect of piles of campaign dollars tossed at the feet of congressmen. Privatizing debt collection is certain to cause a snowball effect of perverse corruption at its finest.

This new decision can only be calculated as a huge loss to everyone involved, except the collection agencies. Under privatized debt collection, the IRS will only collect \$1.4 billion over the next ten years, opposed to \$87 billion if new agents are hired. Congress has been forced to cut back on discretionary expenditures and this type of hiring is defined as "discretionary". Collection agencies are expected to earn \$330 million, 22 to 24 cents on the dollar annually. If more IRS officers were hired, the payroll would add up to \$296 million, a much more affordable 3 cents on the dollar with the IRS collecting up to \$9 billion per year. Clearly Congress is not awash with complete fools, scratching their heads, mulling over the math. Or are they? This makes no sense.

The first step has already been taken within this broad plan to outsource collections of smaller tax debts to collection agencies. Within two weeks, the IRS will turn over private data on 12,500 taxpayers all of whom owe \$25,000 or less. Three debt collection companies have already been awarded the IRS contract with more soon to follow. It is expected that by 2008, 350,000 tax records will be tossed between collection agencies with the promise that people will only be contacted by phone or mail. This is no consolation to the hard working taxpayer. A brand new can of worms will open up with scammers crawling out of the woodwork, leaving the cracks much too wide to keep out inventive vermin. The potential for internet fraud is daunting at best. Spoof websites will pop up overnight with thousands of Americans at risk.

Most alarming is the fact that a law firm in Austin, Texas, Linebarger Goggan Blair & Sampson, one of the private agencies already hired has a history of unethical business practices. A former partner served jail time for admitting in 2002 that he paid bribes to win a collection contract from the City of San Antonio. The same law firm made headlines last month when the City of Brownsville was sued by a competitor, Municipal Services Bureau, accusing the city of accepting campaign contributions from the law firm. An IRS taxpayer advocate, Nina B. Olson has warned Congress in an attempt to educate our elected officials. Taxpayers rights are at risk with privatization "because private collectors will operate under rules of profit maximization rather than the IRS's custom-service based policy." With privatization of debt collecting, there is less incentive to safeguard the rights of taxpayers, leaving the door wide open to identity theft as well as the criminal element lurking around the corner, just waiting to pounce on an unsuspecting taxpayer, many who possess good intentions of paying back their debt.

Of all consumer complaints made last year, The Federal Trade Commission (FTC) received 19 percent for collection agencies, an increase of 17 percent from the year before. Debt collectors have gone to unbelievable lengths to secure FTC permission to contact debtors on their personal cell phones, a practice that will cost the taxpayer even more hard earned money. This will sink debtors further into the hole. This type of inefficient government only stalls the future of IRS collection. To hire a questionable business entity and reward them with a 25 percent bounty is unfathomable. This will certainly not impart confidence in the new system. Calling at all hours, threatening jail time or liens, repeat calling, verbal abuse, giving out false information/promises and attempting to collect for debts that are not even owed are only a few of the many reasons that debt collectors receive the massive amounts of complaints from consumers. President Colleen M. Kelley of the National Treasury Employees Union noted, "It is simply unbelievable that the IRS would continue to press ahead to do business - and to provide taxpayer information - to an industry with this kind of record." Not only must taxpayers prepare for this intolerable invasion of privacy, but now they must worry about abuse from debt collectors as well as schemers planning to plunge them further into debt. The average collection officer brings in \$900,000 annually, far more than his or her yearly salary. It's incomprehensible that Congress cannot see that this is by far the better deal. This is not the first time that the IRS has attempted this maneuver. It was found to be too costly back in the 1990s but here we go again and this is not the first time a U.S. government agency has handed over private information to collection agencies. The Department of Education employs debt collectors to collect on student loans in default. The Treasury Department has also hired collection agencies, both of which have garnered a slew of complaints against them for this very practice. The IRS is promising that debt collectors will adhere to their same rules, with zero intimidation and no access to underlying tax records. Looking at the complaints against the Department of Education and the track record of debt collectors already hired, that's a hard pill to swallow.

Even more astounding is that Congress has been concerned before about abusive IRS tactics, prohibiting the IRS from evaluating collection officers on the basis of the actual dollar amount recovered. And this is the same Congress that believes it's safe and ethical to pay a commission to money hungry debt collectors? This is enough to make any taxpayer shudder. Collection agencies may place even more penalties on the taxpayer with outrageous fees as Pioneer Arcade Recovery of New York has already done to those owing on their student loans. This very company has already been hired to begin collecting for the IRS. How will adding more fees and penalties assist those trying to crawl their way out of a hole?

What won't the IRS do? What's next? Asking for the taxpayer's first born? Privatizing debt collection is not only unwise, but it puts all taxpayers at risk. The threat of identity theft, spoof websites, schemers, scammers, criminal activity and abuse lurks around the corner if more collection agencies are hired. Congress needs to rethink their definition of discretionary expenditures and come up with a better plan. A plan that will benefit both the IRS and the taxpayer in the most cost effective manner.

What Would the IRS Do? by Richard Burton, Publisher