

PRIVATE DEBT COLLECTION
TALKING POINTS

April 9, 2008

- The collection of federal taxes is an inherent government function. The private debt collection program has allowed the Administration to privatize and outsource this traditional government function.
- The program is inefficient, costly, and must stop. To date, the program has lost almost \$50 million. The IRS has spent \$75 million to collect a net of \$27 million after paying \$7.7 million in commissions to the private debt collectors.
- Former IRS Commissioner Everson testified that the IRS can collect federal taxes more cheaply and more efficiently. If \$70 million was spent on IRS employees, they would have collected over \$1.4 billion.
- The National Taxpayer Advocate estimates that \$81 million is foregone each year in "lost opportunity cost" under this program.
- There were approximately 60 IRS employees assigned to monitor the work of about 90 private collection employees at the start of this year.
- The program has fallen far short of its goals. The IRS estimated that gross revenue collected through September 2008 would be \$88-127 million. To date, gross collections have been \$46 million.
- The IRS estimated that the private debt collectors would collect commissionable payments of \$83-120 million through September 2008. To date, the commissionable payments are \$35 million.
- GAO found that debt collectors had place over one million telephone calls, many to innocent people, trying to reach 35,000 taxpayers. One elderly couple was called 150 times, including 5 times a day looking for someone who did not even reside in their home.
- About 44,000 cases have been recalled by the IRS from the private debt collectors. To date, over 1,300 cases have been referred to the Taxpayer Advocate Service.
- Taxpayers have a right to expect to deal with the IRS when their taxes are collected. They have the right to expect that the person calling them has access to their account information, can adjust their liability if a mistake was made, and has only one motive—to maximize the long-term compliance of the taxpayer. Private

debt collectors can do none of this.