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The Key to Closing the Tax Gap Is Investing In the IRS Workforce, NTEU's Kelley Says

Washington, D.C.—In advance of a Senate committee meeting to discuss ways to bridge the gap between taxes owed and tax revenue collected, the leader of the union representing Internal Revenue Service (IRS) employees offered a variety of recommendations to address that problem—including a call for the agency to invest more heavily in its own workforce.

The Senate Budget Committee is scheduled to hear testimony from the IRS commissioner and others on efforts to close the tax gap tomorrow at 10 a.m. in Room 608 of the Dirksen Senate Office Building.

“Rather than contract out tax collection and cut staffing, the IRS and the nation would be much better off if the IRS built on recent tax collection successes by hiring more enforcement personnel,” said President Colleen M. Kelley of the National Treasury Employees Union (NTEU).

The IRS puts the “tax gap,” as the difference between taxes owed and paid is often called, at between \$312 billion and \$363 billion annually, and has suggested that it might even revise the figures sharply upward using a new statistical technique.

President Kelley noted the IRS in its 2007 budget proposal points to its success in enforcement actions in recent years and puts the amount of collections of delinquent tax debts by IRS employees at \$47 billion in 2005—a 38 percent increase from \$34 billion in 2001.

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“Despite this clear evidence supporting the use of its own workforce, the IRS is intent on hiring private debt collection companies to go after tax debts in exchange for a bounty of up to 25 percent of the money they collect,” Kelley said.

“The tax debt privatization program doesn’t make any sense, either in terms of economics or efficiency,” she added, particularly in light of a recent study showing that the cost of using IRS employees to collect taxes is just over 50-cents to collect \$100.

Kelley called on the IRS to drop its plan to hire private sector debt collectors, warning again not just of the high cost of the plan but of the serious danger to taxpayers’ personal and sensitive information. The IRS is planning to award contracts for the project as early as this month.

The NTEU president offered these additional recommendations as key tools in helping close the tax gap:

- Given that the IRS operates one of the most efficient collection systems in the country, the agency should be moving to boost its collection efforts by hiring additional enforcement personnel rather than seeking to cut as many as 2,500 employees. Cuts of that magnitude were spelled out in broad terms in a Treasury Department fiscal 2007 budget document which proposed a reduction across a range of programs, including both customer service and enforcement.
- Congress should allow the IRS to retain and use a portion of the money it collects as an effective method of bolstering its efforts to close the tax gap.

NTEU is the largest independent federal union, representing some 150,000 employees in 30 agencies and departments, including 90,000 in the IRS.