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IRS Named One of the Country's Most Efficient Collection Systems, So Why Outsource?

Washington, D.C.—With the Internal Revenue Service (IRS) set to award tax collection contracts to private sector debt collectors this month, a media analysis points out the cost-efficiency of IRS employees in collecting taxes, and a separate government report underscores the importance of a meaningful oversight role for Congress in privatizing tax collection.

These reports echo important points repeatedly made by National Treasury Employees Union (NTEU) President Colleen M. Kelley in connection with the IRS plan. The NTEU leader will discuss this and other important matters impacting the IRS and its workforce—including employee performance measures, the proposed IRS budget for fiscal 2007 and agency efforts to cut taxpayer assistance—at a meeting tomorrow afternoon of the public-private IRS Oversight Board.

The tax collection analysis, performed by the publication *Tax Notes*, puts the cost of collecting taxes by the federal government at 53 cents for each \$100 collected—or just over half-a-cent per dollar collected. The federal government has one of the most efficient systems in the United States.

This contrasts sharply, President Kelley said, with the fees the government will pay the private collectors it intends to hire this month; they will charge the government up to 25 cents for *each dollar* they collect in tax debts.

The NTEU leader repeatedly has warned lawmakers about the plan's high cost, relative to the cost of keeping the work in the hands of IRS employees, and the significant risk the program poses to the security of taxpayers' personal and private information.

"I have said all along this is a bad idea that just keeps getting worse," Kelley said, adding "the IRS wants to move forward with this program without adequate taxpayer safeguards despite the

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significant questions raised by NTEU, the Taxpayer Advocate, the Congressional Research Service (CRS), and others.”

In addition to the *Tax Notes* analysis, a separate report to Congress by CRS raises a number of the same concerns, including whether taxpayers would be better served if Congress provided the IRS with sufficient resources to do the job itself; if the agency has sufficient resources to oversee the performance of the private contractors it hires for the program; whether the private debt collectors will be adequately informed of their responsibilities under the contracts and the penalties they could face for violating them; whether the contractors are engaged in activities that should be regarded as inherently governmental; and others.

President Kelley agreed with the thrust of the CRS report, noting in addition a number of other concerns she believes are important for Congress to address as part of its oversight of the program.

These include:

- Ensuring fulfillment of the repeated commitment by IRS Commissioner Mark Everson in congressional testimony that tax collection contract employees will be subject to the same rules and standards as IRS employees;
- Taking a good look at the training of employees of the debt collection companies, particularly as it relates to the treatment of taxpayers. Kelley pointed out that these workers won't be given the same training as IRS employees, and that the contractors—not the IRS—will be providing such training; and
- Making sure that private collection agencies not use taxpayer political information—including their political party affiliation—in the tax collection process. This issue of the propriety of a contractor gathering such data and providing it to the IRS, much less to its contractors, recently was raised by NTEU members at the IRS. President Kelley followed up with a letter to Everson calling for safeguards.

NTEU is the largest independent federal union, representing some 150,000 employees in 30 agencies and departments, including 94,000 in the IRS.

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MEDIA ADVISORY: President Kelley will appear before the IRS Oversight Board tomorrow, Wednesday, February 8, between 3 and 4:30 p.m.

The Oversight Board will meet in Room B-318 of the Rayburn House Office Building.