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Taxpayer Advocate Olson Calls for Repeal Of IRS Authority to Use Private Debt Collectors

Washington, D.C.—Congress should act immediately on today’s call by the independent National Taxpayer Advocate for a repeal of authority to use private sector debt collectors by the Internal Revenue Service (IRS) to pursue tax debts, said the leader of the union representing IRS employees.

“Paying debt collectors a bounty of up to 25 percent of the money they collect is a waste of taxpayers dollars and exposes taxpayers to the risk of identity theft and overly aggressive collection tactics,” said President Colleen M. Kelley of the National Treasury Employees Union (NTEU).

Kelley further stated, “Taxpayer Advocate Nina Olson’s call to repeal congressional authority for the program, contained in her annual report to Congress, is firmly based on the inherent dangers to taxpayer information and the costs of privatizing tax collections, and it should be heeded.”

Congress authorized the use of private sector debt collectors by the IRS in unrelated tax legislation in 2004. Now, it has been listed as one of the “most serious problems” facing taxpayers, Kelley noted.

Olson’s report lists the “true costs and benefits of private debt collection” as one of the 21 “most serious problems” facing taxpayers and recommends its repeal stating “The IRS now acknowledges that it can collect these delinquent accounts more efficiently than PCAs.”

In asking Congress to repeal the act, Olson said the government “has the ‘privilege of paying up to 25 percent of any taxes collected to private collection agencies, even while estimates show that

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IRS employees could perform the work far more efficiently, with a return on investment of approximately 13:1. We ask, in this report, what business case exists for such an arrangement, and conclude that there is none.”

Olson points out that her office has observed examples of “hidden costs,” including “poor customer service to multilingual taxpayers, PCA operational plans being withheld from public disclosure, and PCA collection scripts through which PCA employees attempt to manipulate taxpayers.” The report states that “IRS has risked much for a small return, if any, on its investment” and further notes that the IRS is using 65 IRS employees to monitor the work of 75 debt collector employees.

NTEU has been leading the fight against the use of private debt collectors, warning of the serious dangers to the privacy of taxpayers’ personal information, including their Social Security numbers, by putting such data in the hands of private companies. The IRS has contracted with three companies thus far, and plans to expand the program to as many as ten other private firms.

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

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