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**For Immediate Release
May 9, 2006**

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Taxpayer Advocate, TIGTA Concerns Spotlight Key Flaws in IRS Privatization Plan, Kelley Says

Washington, D.C.—Two recent developments from important segments of the Internal Revenue Service (IRS) itself strongly underscore the need for that agency to drop its plan to hire private sector debt collectors to pursue tax debts, the head of the National Treasury Employees Union (NTEU) said today.

A media report of statements by National Taxpayer Advocate Nina Olson and the latest critical examination of the privatization program by the Treasury Inspector General for Tax Administration (TIGTA) “throw more fuel on what is becoming a bonfire of criticism of this program,” said NTEU President Colleen M. Kelley.

“It is well past time for the IRS to see the foolishness of turning tax collection over to the private sector,” she said.

Taxpayer Advocate Olson was quoted in the publication *Tax Notes* as telling the American Bar Association’s Section of Taxation that the tax debt privatization program could be “vastly more expensive than we ever imagined.” The publication further quoted her as suggesting that the IRS could expand the types of tax debt cases handed over to private companies.

Olson, who previously has expressed reservations about the safety and security of taxpayers’ personal information in such a program, warned that collection accounts with remaining issues would

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Warning Signs Grow About IRS Privatization Plan—Add One

be bounced back to the IRS to handle, and at likely considerable cost to taxpayers. In test runs, she was quoted as telling the ABA tax lawyers, the IRS has found that “the vast majority of cases” have had to be referred back to the IRS for processing.

This concern echoes one raised by TIGTA in a late April report which identified a number of significant issues surrounding the tax debt privatization effort. These include:

- Contrary to IRS intentions, the selection criteria developed by the IRS to choose cases to be handed over to private debt collectors would include taxpayers who have not filed all the tax returns due (as opposed to taxpayers who have filed returns, acknowledged a debt, but have not paid).

That case would have to be returned to the IRS for its employees to work—a development that would not only reduce the revenue generated by the debt collection program, but would require the IRS to spend additional resources to conclude the matter.

- The lack of a sufficient number of cases within the dollar ranges established by the agency for determining which cases to hand over to the private companies. This could lead to a broadening of case selection criteria, both by dollar amount and age of case, TIGTA said—issuing a warning about the likely adverse impact on dollars collected.

Independent research, TIGTA said, shows that collection agencies can collect only about one percent of non-governmental debts once such debts become more than two years old. Some 72 percent of the cases available under the IRS program are more than two years old, TIGTA found.

“The warning signs are piling up and, despite this administration’s determination to privatize this inherently governmental work, the IRS needs to pay attention to those signs,” Kelley said.

“Otherwise, taxpayers are going to pay a very heavy price.”

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