

110TH CONGRESS
1ST SESSION

H. R. 695

To amend the Internal Revenue Code of 1986 to repeal the authority of the Secretary of the Treasury to enter into private tax collection contracts.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 24, 2007

Mr. VAN HOLLEN (for himself, Mr. ROTHMAN, Mr. CARNAHAN, Mr. BISHOP of New York, Mr. BRADY of Pennsylvania, Mrs. CAPITO, Ms. CARSON, Mr. CHANDLER, Mrs. CHRISTENSEN, Mr. CLAY, Mr. CLEAVER, Mr. COHEN, Mr. CUMMINGS, Mr. DEFazio, Mr. DINGELL, Mr. DOYLE, Mr. FARR, Mr. FATTAH, Mr. FILNER, Mr. GRIJALVA, Mr. HARE, Mr. HAYES, Ms. KILPATRICK of Michigan, Mr. KUCINICH, Mr. LANTOS, Mr. LATOURETTE, Mr. LEWIS of Georgia, Mr. MANZULLO, Mr. MCHUGH, Ms. MOORE of Wisconsin, Mr. MORAN of Virginia, Mr. PATRICK J. MURPHY of Pennsylvania, Ms. NORTON, Mr. OBEY, Mr. PAYNE, Mr. PRICE of North Carolina, Mr. RUPPERSBERGER, Ms. SCHAKOWSKY, Ms. SCHWARTZ, Mr. SERRANO, Mr. SIRES, Mr. STARK, Mr. STUPAK, Ms. WATSON, and Mr. WAXMAN) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to repeal the authority of the Secretary of the Treasury to enter into private tax collection contracts.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; FINDINGS.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Taxpayer Abuse and Harassment Prevention Act of
4 2007”.

5 (b) FINDINGS.—The Congress finds the following:

6 (1) The integrity of the Federal tax system is
7 integral to the efficient and ongoing functioning of
8 representative democracy.

9 (2) A pillar of exemplary citizenship is compli-
10 ance with the Federal tax code as it pertains to indi-
11 vidual income taxes.

12 (3) Individual taxpayers voluntarily disclose
13 sensitive personal information to the Federal Gov-
14 ernment with the expectation that such information
15 will be utilized and retained only by qualified,
16 trained, and accountable personnel of the Internal
17 Revenue Service (IRS).

18 (4) Although the IRS has stated that there will
19 be tight restrictions on what information will be re-
20 leased to private collection agencies, the statute
21 places no restrictions on what information may be
22 released to private collection agencies.

23 (5) More than 26 million Americans have, since
24 1990, been victims of some form of “identity theft”
25 through misappropriation and misuse of their per-
26 sonal information.

1 (6) Disclosure of taxpayer information to non-
2 governmental, third party vendors will increase the
3 risk of wrongful disclosure of taxpayer information
4 that results in higher incidences of “identity theft”.

5 (7) The IRS has already demonstrated its in-
6 ability to protect taxpayer data from unauthorized
7 disclosure under existing vendor contracts as docu-
8 mented in an internal report by the Department of
9 Treasury Inspector General for Tax Administration.

10 (8) The IRS Restructuring and Reform Act of
11 1998 specifically prevents employees or supervisors
12 at the IRS from being evaluated or compensated
13 based on how much they collect in order to prevent
14 incentives for overly aggressive and abusive tactics.

15 (9) The compensation scheme for private tax
16 collection agencies is a recovery fee of up to 25 per-
17 cent of funds collected that will lead to overzealous
18 and abusive collection tactics against taxpayers.

19 (10) The Congress has previously rejected the
20 use of private tax collection agencies by canceling a
21 pilot program in 1996 due to violations by private
22 collection agencies of the Fair Debt Collection Prac-
23 tices Act, inadequate protection of sensitive taxpayer
24 information, and a loss of approximately \$17 million
25 during the pilot program.

1 (11) A 2002 report by the IRS Commissioner
2 to the IRS Oversight Board identified an additional
3 \$30 billion in taxes owed that could be collected an-
4 nually by increased funding for IRS personnel. A \$9
5 billion annual increase in revenue could be achieved
6 by earmarking approximately \$300 million to spe-
7 cific IRS collection functions, for a return of \$30 for
8 every \$1 spent.

9 (12) Due to the vagaries of the budget scoring
10 process, additional funds collected by IRS personnel
11 do not “score” as increased revenues.

12 (13) The use of private collection agencies was
13 deemed a “new tool” to the IRS Commissioner that
14 resulted in increased revenue being “scored” to the
15 Federal Government when such activity would actu-
16 ally result in increased cost to taxpayers.

17 (14) Members of the House of Representatives
18 were not afforded the opportunity to specifically vote
19 on this significant policy change during consider-
20 ation of H.R. 4520, the American Jobs Creation Act
21 of 2004, in the 108th Congress.

1 **SEC. 2. REPEAL OF AUTHORITY TO ENTER INTO PRIVATE**
2 **TAX COLLECTION CONTRACTS.**

3 (a) IN GENERAL.—Subchapter A of chapter 64 of the
4 Internal Revenue Code of 1986 (relating to collection) is
5 amended by striking section 6306.

6 (b) CONFORMING AMENDMENTS.—

7 (1) Subchapter B of chapter 64 of such Code
8 is amended by striking section 7433A.

9 (2) Section 7809(a) of such Code is amended
10 by striking “6306,”.

11 (3) Section 7811 of such Code is amended by
12 striking subsection (g).

13 (4) Section 1203 of the Internal Revenue Serv-
14 ice Restructuring Act of 1998 is amended by strik-
15 ing subsection (e).

16 (5) The table of sections of subchapter A of
17 chapter 64 of such Code is amended by striking the
18 item relating to section 6306.

19 (6) The table of sections of subchapter B of
20 chapter 64 of such Code is amended by striking the
21 item relating to section 7433A.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall take effect on the date of the enactment
24 of this Act.

25 (d) TERMINATION OF REPORTING REQUIREMENT.—
26 The reporting requirement of section 881(e) of the Amer-

- 1 ican Jobs Creation Act of 2004 shall not apply after the
- 2 date of the enactment of this Act.

