

110TH CONGRESS
1ST SESSION

S. 335

To prohibit the Internal Revenue Service from using private debt collection companies, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 18, 2007

Mr. DORGAN (for himself, Mrs. MURRAY, Ms. MIKULSKI, Mr. AKAKA, Mr. LEAHY, Mr. LEVIN, Mr. KENNEDY, Ms. CANTWELL, Mr. ROCKEFELLER, Mr. KERRY, Mr. INOUE, Mr. CARDIN, Mrs. BOXER, Mr. LIEBERMAN, Mr. MENENDEZ, Mrs. FEINSTEIN, and Mr. LAUTENBERG) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To prohibit the Internal Revenue Service from using private debt collection companies, and for other purposes.

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

3 **SECTION 1. PROHIBITION ON USE BY INTERNAL REVENUE**

4 **SERVICE OF PRIVATE DEBT COLLECTORS.**

5 (a) FINDINGS.—Congress finds the following:

6 (1) The Internal Revenue Service announced
7 plans to outsource part of its tax debt collection re-

1 responsibilities to private debt collection companies be-
2 ginning on September 7, 2006.

3 (2) The Internal Revenue Service intends to
4 turn over confidential information involving over
5 2,500,000 taxpayer accounts to 12 private compa-
6 nies for debt collection purposes when its plan is
7 fully implemented.

8 (3) Recent evidence continues to suggest that
9 the Internal Revenue Service does not have adequate
10 systems in place to ensure that taxpayer information
11 shared with private debt collection companies is
12 properly secured and that such information will not
13 be accessible to those who would misuse such infor-
14 mation.

15 (4) During the initial phase of its plan, the In-
16 ternal Revenue Service has agreed to pay very large
17 commissions of 21 to 24 percent of the amount of
18 tax debt collected by 3 private debt collection compa-
19 nies on cases that the Internal Revenue Service con-
20 siders relatively simple.

21 (5) The Internal Revenue Service failed miser-
22 ably when it attempted a similar tax debt collection
23 privatization plan in 1996 and found that private
24 debt collectors harassed many taxpayers, violated
25 Federal debt collection laws, and did not properly se-

1 cure sensitive taxpayer information as required by
2 law.

3 (6) The use of Internal Revenue Service em-
4 ployees to collect tax debt would cost only 3 cents
5 for every dollar collected while the use of private
6 debt collectors would cost almost 25 cents for every
7 dollar collected.

8 (7) The National Taxpayer Advocate, an inde-
9 pendent voice in the Internal Revenue Service for
10 taxpayers, has called for the immediate termination
11 of the private debt collection program calling it an
12 exercise in futility and vastly more expensive than
13 the Internal Revenue Service ever imagined.

14 (8) The National Taxpayer Advocate has also
15 warned Congress that private debt collection compa-
16 nies operating under rules of profit maximization
17 could have less incentive to provide important tax-
18 payer rights training to their employees.

19 (9) The collection of tax revenue is a core func-
20 tion of the Internal Revenue Service and appropriate
21 Internal Revenue Service staffing should be assigned
22 to this function to achieve debt collection objectives.

23 (10) Taxpayers trust the Internal Revenue
24 Service to keep their tax return information con-
25 fidential and expect that those who collect taxes are

1 not part of a money-making venture with profit mo-
2 tive as the overriding principle.

3 (11) The Taxpayer Advocacy Panel, a nation-
4 wide advisory group appointed by the Secretary of
5 the Treasury to improve the responsiveness of the
6 Internal Revenue Service to the needs of taxpayers,
7 has called on the Internal Revenue Service to aban-
8 don all plans to outsource any taxpayer debts and to
9 restrict collection activities to properly trained and
10 proficient Internal Revenue Service personnel.

11 (12) In June 2006, the United States House of
12 Representatives overwhelmingly passed a fiscal year
13 2007 spending bill funding the Internal Revenue
14 Service that included language prohibiting the Inter-
15 nal Revenue Service from using any of such funds
16 for its private tax debt collection initiative.

17 (13) A year-long Government Accountability
18 Office examination of the private debt collection pro-
19 gram issued in September 2006 found that, like the
20 1996 pilot, the program may actually lose money by
21 the scheduled conclusion of its initial phase in De-
22 cember 2007.

23 (b) PROHIBITION ON USE OF PRIVATE DEBT COL-
24 LECTORS.—Notwithstanding section 6306 of the Internal
25 Revenue Code of 1986, the Internal Revenue Service shall

1 suspend immediately and indefinitely the use of private
2 debt collection companies, and no funds made available to
3 the Internal Revenue Service for fiscal year 2007 and in
4 any subsequent fiscal years shall be used to enter into,
5 renew, extend, administer, implement, enforce, or provide
6 oversight of any qualified tax collection contract (as de-
7 fined in section 6306(b) of such Code).

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