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MEMORANDUM

To: Reporters and Editors
Re: IRS' private debt collection program
Da: Monday, May 21, 2007

Sen. Chuck Grassley, ranking member of the Committee on Finance, was instrumental in creating the IRS' private debt collection program and ensuring proper oversight to protect taxpayers' rights. Today, Grassley released new findings from the IRS on the effectiveness of and taxpayer satisfaction with the program. He also wrote to the Treasury secretary, citing the new findings and urging the program's continued operation. Grassley made the following comment on today's developments.

“Opposition to this program isn't fact-based, as far as I can tell. I'd be the first to step in if I thought anyone was trampling taxpayer rights. That goes for the IRS or a contractor acting on the IRS' behalf. But no one has any concrete complaints from taxpayers suggesting anything other than that the private debt collection program is respecting taxpayers' rights at a level equal to if not better than IRS employees' level. Another claim is that the program is sending out thugs to shake down innocent taxpayers at the government's direction. That's not the case. The private debt collection program mostly involves phone calls from firms with extensive customer service experience to negotiate payment plans with taxpayers, and doing so in a way that respects taxpayers' rights. The calls go to taxpayers who owe taxes and whose debt is not in dispute. It's a matter of fairness for taxpayers to pay what they owe, not a penny more, not a penny less. And maybe the weakest argument of all from opponents is that the IRS can perform debt collection for 'pennies on the dollar,' compared to contractors. By the IRS' own analysis, the contractors are on track to bring in rates of return on investment equal to or greater than the IRS' own average rates. That's very good for a brand new program.”

Following is the text of Grassley's letter to the Treasury secretary. Attached is the IRS' latest analysis.

May 21, 2007

The Honorable Henry Paulson, Jr.

Secretary
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Mr. Secretary:

I am writing to you regarding the private debt collection (PDC) program that was approved by Congress. I raised this matter with you at a recent Finance Committee hearing on April 18 and want to follow up on that discussion. As Treasury officials have stated publicly, the PDC is an important part of efforts to deal with the tax gap. It is unfortunate that a few members of Congress have blinders on when it comes to the PDC and are putting the special interests before the nation's interest.

However, since I first supported the PDC, it has been based on the facts and a program that is balanced between protecting taxpayers' rights and closing the tax gap. That is why I asked the IRS to update the questions provided to JCT regarding the PDC. I have just received these numbers and they show that the PDC is achieving the right balance of protecting taxpayers' rights and also ensuring that individuals are paying the taxes that they owe.

I am especially pleased of the success in terms of quality in the PDC: 94% of taxpayers satisfied; 98.1% regulatory and procedural accuracy; and 100% professionalism. This is good news for everyone and compares very well to the IRS' own workforce where too often we hear about phones not being answered and incorrect answers being provided. This good news is a tribute to IRS management as well as the dedication of the PDC workers.

However, certainly the most stunning news is the admission in the IRS material on page 9 that on average "the IRS Return on Investment (ROI) is about 4 to 1" – basically the same as projected for the PDC – estimated to be "between 4.0 to 1 and 4.3 to 1, once the program is in steady state." This is a stunning revelation, since we have had to hear tall tales on a daily basis from opponents of the PDC that the IRS collected 10-1, 20-1 and incredibly even 32-1 as a figure cited by the taxpayer advocate for each dollar provided. It is clear that the 32-1 figure waved about by opponents of the PDC needs to be taken with the same jaundiced view as stories about Paul Bunyan and his big blue ox.

While some members may want to continue to believe in Paul and his ox, we must base policies on facts, not fantasies. It is clear that the PDC program is providing the right and successful balance of taxpayers' rights and collection of taxes due. The IRS has shown good management dealing with difficulties in the program and with problem contractors. The American people have a right to expect that those who have tax due and owing pay those taxes. Otherwise, it is only the honest who shoulder their fair burden. I strongly encourage you to continue the expansion of the PDC program as planned and please inform me of the timeline for awarding new contracts for the PDC program – a program authorized by Congress.

Thank you for your time and attention to this important part of the effort to help close the tax gap.

Cordially yours,

Charles E. Grassley
Ranking Member