



DATE: March 3, 2009

TO: United States Senate

FROM: Colleen M. Kelley
National President
National Treasury Employees Union

Attn: Tax L.A.

MESSAGE: Retain section 106 of H.R. 1105, FY'09 Omnibus
Appropriations bill

IN CASE OF TRANSMISSION PROBLEMS, PLEASE CALL: (212) 514-9544

March 3, 2009

Dear Senator:

As the Senate considers the FY 2009 Omnibus Appropriations bill, HR. 1105, we urge you to ensure that section 106 of the bill remains intact. This provision prevents further expenditure of FY 2009 appropriated funds on IRS private tax collection efforts. The private tax collection initiative was supposed to be self-funding, but the IRS has already spent \$80 million on it. No more appropriated funds should go to this program for several reasons.

First, taxpayers who are contacted by private collection agencies (PCAs) under contract to the IRS are subject to an unacceptable double standard. PCAs cannot offer taxpayers many critically important mitigation options that are available to those working with the IRS. For example, the IRS can provide struggling taxpayers an Offer in Compromise, that forgives part of their tax debt. The IRS can also provide for extended installment agreements and even allow for some installments to be skipped or delayed. PCAs can only request full immediate payment or an installment agreement of less than 5 years. Most taxpayers contacted by PCAs are low income and are completely unaware that they could receive more favorable terms from the IRS. In these extremely challenging economic times it is wrong to have two sets of standards for taxpayers, especially when the outcome is that low income taxpayers face harsher treatment than others.

Second, there is unanimity in the view that IRS employees can do the core mission of the agency, tax collection, more cost effectively than PCAs. This has been testified to before Congress by the independent National Taxpayer Advocate, as well as several IRS Commissioners. The return on investment of IRS Automated Collection System employees, who do similar work to the PCAs, is between 13 and 20 to 1. Return on investment for the PCAs is 3 to 1. The PCAs have collected only approximately one half of what they were projected to bring in. But they continue to be paid 21% to 24% commissions on the easiest cases, totaling more than \$13 million. Similar commissions in the student loan collection field were capped by Congress last year at 16%.

The IRS can and should do this work. The Omnibus Appropriations bill increases funding for the IRS and the IRS will be hiring new employees who can do this work efficiently and with the availability of all the tools and options that taxpayers have a right to expect. In addition to fairness and cost efficiency taxpayers deserve a system in which the person collecting their taxes does not stand to gain personally from their payment.

For these reasons we urge you to oppose any efforts that would change section 106 of H.R. 1105. Please contact Matt Socknat at 202-572-5561 for more information.

Sincerely,

National Treasury Employees Union (NTEU)
American Federation of Government Employees (AFGE)
American Federation of State, County and Municipal Employees (AFSCME)
Citizens for Tax Justice
Consumer Federation of America
Federal Managers Association (FMA)
International Federation of Professional and Technical Engineers (IFPTE)
National Association of Postmasters of the U.S. (NAPUS)
National Active and Retired Federal Employees (NARFE)
National Consumer Law Center (On Behalf of Its Low Income Citizens)
OMB Watch
Professional Aviation Safety Specialists (PASS)
Public Citizen
National Federation of Federal Employees (NFFE)
United for a Fair Economy
National Association of Government Employees (NAGE)