

IRS PRIVATE DEBT COLLECTION ACTIVITIES
Sens. Ben Cardin (D-Md.) and Byron Dorgan (D-N.D.)
(Senate - April 15, 2008)
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Mr. CARDIN. Mr. President, today is April 15, the day when millions of Americans are hurrying to file their income tax forms to meet the midnight deadline. Many of my colleagues have spoken today about the need to make more effective and responsible use of Federal tax dollars, and I agree that we must do so. One place to start is with the IRS's own private debt collection program.

Today, the Washington Post reported that the Internal Revenue Service's use of private debt collection agencies is expected to cost taxpayers more than \$37 million this year. Throughout our Nation's history, the Federal Government had always assumed responsibility for tax collection. But in 2004, through legislation that I opposed, Congress gave the IRS authority to use private debt collection companies to collect undisputed tax debts of less than \$25,000. The companies also would receive a 25-percent commission on all receipts. Although the stated goal was to improve the efficiency of tax collections, it is clear that this plan is not working.

In fact, even before Congress adopted this approach, former IRS Commissioner Charles Rossotti estimated, in a 2002 report to the IRS Oversight Board, that if Congress were to appropriate an additional \$296 million to hire more compliance employees, the agency could collect an additional \$9.47 billion. In other words, every dollar spent on collection would net \$31. But rather than increase the number of IRS employees, Congress ignored Commissioner Rossotti's advice and instead spent scarce taxpayer funds to privatize IRS functions, with dismal results.

In March 2008, Nina Olson, the National Taxpayer Advocate, reported to Congress that the program actually is losing money. Testifying before the House Ways and Means Committee, Ms. Olson said that the IRS is losing at least \$81 million a year by using private debt collection companies. The IRS spent \$71 million to start the program and it spends \$7.65 million annually to operate it, plus on average \$4.6 million in commissions that are paid to the private collectors. Despite using aggressive tactics, the companies have collected only \$49 million, little more than half of what it has cost the IRS to implement the program. By contrast, Ms. Olson testified, and I quote, "if the program did not exist and the IRS instead allocated \$7.65 million in appropriated funds to its automated collection system, ACS, function, the return on investment would be vastly greater. IRS data shows that the average return on investment for the ACS program is about 20:1, which would mean that an expenditure of \$7.65 million would generate annual revenue of \$153 million." Ms. Olson then recommended that the private debt collection initiative be terminated. I concur.

The privatization initiative is also putting millions of Americans' personal information at risk. I do not believe that Americans want private collection agencies to have access to

their sensitive, personal information that should only be reserved for the Federal Government and the qualified, trained, accountable personnel who work at the IRS.

The Ways and Means Committee recently considered legislation that would repeal the IRS's authority to use private debt collection agencies. The Taxpayer Assistance and Simplification Act was reported out of committee in a bipartisan vote. My distinguished colleague from North Dakota has introduced similar legislation that would prohibit the IRS from using private debt collection companies, and I am pleased to be an original cosponsor of that bill.

The private debt collection program also has generated considerable confusion among taxpayers. Under the rules of the program, collectors cannot say they are working for the IRS or that they are calling about a tax matter without first receiving proof of a taxpayer's identity. This has led to numerous complaints from consumers who have received calls from collectors, pressing them to provide Social Security numbers and other personal information without first identifying the purpose of the call. Citizens are justifiably fearful of being scammed, and so they refuse to provide the companies with any information. By any measure, this program is not working.

Mr. President, the private debt collection experiment has failed. Tax collection is a fundamental responsibility of Government, and Congress should provide the IRS with the staff and other resources needed to fulfill this responsibility, not enrich private companies at the expense of American taxpayers. Today on April 15--Tax Day--millions of Americans are rushing to file their taxes before the midnight deadline. Many are writing checks to the IRS, and so it is an appropriate time to reconsider the millions of dollars they are spending on the private debt collection program. It is time for this body to pass Senator Dorgan's bill and end this inefficient use of taxpayer dollars.

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Mr. DORGAN. Madam President, if people are by any chance watching the proceedings of the Senate this afternoon, they may wonder what on Earth is happening or more likely what is not happening. It has become customary, when we try to do business in the Senate in recent months, that we discover there is a filibuster that requires a cloture motion to be filed on almost anything. On the Senate floor today, as I understand it, we are on a 30-hour postcloture period on a motion to proceed to a technical corrections bill. That is almost unbelievable to me.

It is not unusual. We have had 65 filibusters in this Congress. Why would someone require a cloture motion to be filed in order to break a filibuster on a motion to proceed to a technical corrections bill? The only conceivable reason to do that is to stop the Senate from doing anything. I guess those who have been doing this in the minority party have been pretty successful.

Today is tax day, April 15. One might ask, if we were not doing this--standing around and gnashing our teeth and wiping our brow, wondering why we can't move this--what would we be doing? If we didn't have a minority that insists on a motion to proceed, a filibuster, a cloture motion and 30 hours postcloture, what would we be doing?

Perhaps another thing we could do this afternoon, if we were not forced to 30 hours of dead time, is we could deal with what the Internal Revenue Service is doing by farming out tax collections that need to be made--these are people who owe taxes--to debt collection agencies in the private sector. This is going to be hard for anybody to believe or understand, but here is what they have done. This administration is so anxious to privatize and farm out everything, they have gone into the Internal Revenue Service and said let's farm out these collections of taxes owed, so they have contracted with a couple of companies. The problem is that this privatization program lost \$50 million in its first year and is expected to lose more this year.

The IRS's private revenue collection target for the current fiscal year was \$88 million. But they now project that the program will collect only \$23 million. After excluding commissions, ongoing operational costs and capital investments, the IRS will still be \$31 million in red this year.

It is unbelievable. How can the Internal Revenue Service contract with a company that is going to lose money collecting taxes? I have a piece of legislation that says stop it. Maybe we could work on that and pass that legislation today--see if we could find some deep reservoir of common sense. The National Taxpayer Advocate who works at the IRS has said: Had that money been spent for collectors at the IRS, they would have raised \$1.4 billion. Instead, they invested \$71 million to use private collectors and returned just \$32 million in 2007. So they missed it by about \$1.368 billion. Isn't that incredible?

Does anybody care? Apparently not. We are in 30 hours dead time on a motion to proceed to a technical corrections bill, guaranteeing nothing can be done on the floor of the Senate.