The Facts About the IRS
Private Debt Collection Program

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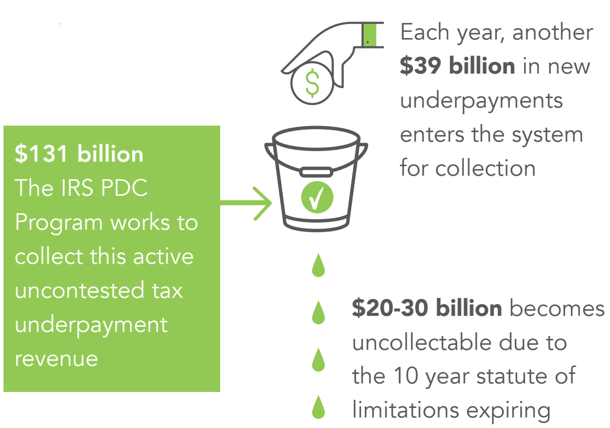
With concerns rising about our nation's deficit and the ability to fully fund existing federal programs, it's more important than ever that the federal government collect legitimately owed taxes to sustain the important programs our government provides on behalf of the American people.

While most taxpayers file and pay their taxes on time, some still have outstanding balances owed to the Treasury of the United States.[1] The IRS estimates that the difference between the total amount of taxes owed and taxes paid, known as the tax gap, currently exceeds $400 billion.

In December 2015, Congress mandated the creation of the Internal Revenue Service (IRS) Private Debt Collection (PDC) Program within Section 32102 of the Fixing America's Surface Transportation Act.[2] The program provides the IRS with much-needed manpower resources to assist with the collection of a subset of outstanding tax underpayments – specifically those where a tax return was filed but additional taxes are due. Four high-quality firms were selected to partner with the IRS for this effort: CBE Group, ConServe, Performant, and Pioneer Credit Recovery.

With billions in federal taxes uncollected each year, the government's partnership with private recovery companies returns vital funding to the U.S. Treasury and helps Americans achieve a zero balance with the IRS through collaborative solutions that allow voluntary compliance to fulfill individual tax obligations.

Uncollected Tax Underpayments



Without this program and the resources it provides, the IRS does not have the staff capacity to conduct outreach and collect these underpayments, which in 2017 totaled more than $131 billion.[3] Federal tax debts are subject to a 10-year statute of limitations and, at current IRS resource levels, would simply languish on the books until the 10-year timeframe expires.

How The PDC Program Works

The PDC program is collaborative and treats every taxpayer fairly. No one is asked to pay more than their fair share. Typically, taxpayers receive dozens of notices and many opportunities to appeal their tax liability at various levels of the process. If the underpaid account remains in the IRS queue for longer than 3 years or the case has been assigned to IRS personnel but not touched in more than a year, the agency categorizes these debts as "inactive." The private debt collections program focuses on outreach to these inactive accounts.

To begin, the IRS initiates contact sending taxpayers and their tax representative[4], as applicable, a written notice that accounts have been assigned to a specified private recovery company that serves as a contractor for the agency. That IRS contractor then sends a second letter to the taxpayer and their tax representative advising them of the account assignment.

The taxpayer then receives a call introducing them to the IRS contractor and explaining the process. During each phone call, the program representative takes the taxpayer through a multi-question authentication process to verify identity and protect the taxpayer's privacy.

PDC program representatives must follow provisions of the Fair Debt Collection Practices Act and the Taxpayer Bill of Rights. The representative confirms that the taxpayer is aware of his or her rights; for example, the right to quality service and right to appeal.[5]

The representative discusses a variety of payment options including full payment or an installment plan for up to seven years. Taxpayers are advised how to make payments directly to the IRS using their preferred method of payment.

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Protecting Taxpayers and Ensuring Privacy

Before any outreach to taxpayers, the IRS requires their contractors to successfully pass rigorous testing, technical reviews, site visits and audits.

The contractors abide by a stringent set of rules that ensure taxpayer protection. First, contractors are "prohibited from committing any act or omission which employees of the Internal Revenue Service are prohibited from committing in the performance of similar services."[6] In addition to this safeguard, contractors must also abide by all provisions of the Fair Debt Collection Practices Act (15 U.S.C. 1692 et seq.).

If a taxpayer cites financial hardship, program representatives must refer the case back to the IRS and cease contact with the taxpayer.

IRS contracts also require that contractor calls are monitored and each company is graded on implementation of taxpayer rights, customer service, and statutory and contract requirements. The companies maintain extremely high quality levels (97 percent or above) for these requirements.

It is important to keep in mind that under the Internal Revenue Code, contractors are limited to only calling the taxpayer and working out voluntary payment agreements. Only the IRS can seize property, garnish wages, freeze bank accounts or contact third parties if they deem it necessary.

IRS contractors adhere to the same requirements as the IRS in keeping taxpayer data safe, as specified in IRS Publication 4812. Both the IRS and Treasury Inspector General for Tax Administration (TIGTA) have audited the security and privacy protocols utilized by the PDC contractors to ensure compliance with statutory and contract requirements.

Income Level Is Not a Factor

IRS underpayments are made up of a cross section of all income groups within the U.S. economy.[7] Income level is not a factor in whether an account is assigned, and the private collection agencies do not receive any information about the taxpayer's level of income. PDC contractors have no enforcement authority, and rely solely on voluntary payment by the taxpayer. As a result, taxpayers with the means to do so are those likely to participate and those with financial hardships are referred back to the IRS.

Cost Effectiveness Is Key

The revenue collected by PDC contractors are funds that would not otherwise be collected by the federal government due to a lack of IRS staff and resources. Contractors are then paid from a portion of what is actually collected, ensuring an effective investment by the government. The return on investment (ROI) for the program is within the average ROI of all collection methods used by the IRS, approximately $4 for every $1 spent.[8]

1 The IRS estimates the voluntary compliance rate — the percentage of total tax revenues paid on a timely basis —at approximately 85 percent, https://www.irs.gov/uac/irs-releases-new-tax-gap-estimates-compliance-rates-remain-statistically-unchanged-from-previous-study
2 https://www.irs.gov/pub/newsroom/tax_gap_report_-final_version.pdf
3 https://www.irs.gov/pub/irs-soi/17databk.pdf
4 https://www.congress.gov/114/bills/hr22/BILLS-114hr22enr.pdf
5 Internal Revenue Service Data Book, 2016, Table 16, Page 41, https://www.irs.gov/pub/irs-soi/16databk.pdf
6 For example, a representative may include enrolled agent, accountants, or attorneys.
7 Taxpayer Bill of Rights, https://www.irs.gov/taxpayer-bill-of-rights.
8 Internal Revenue Code section 6306(b)(2)
9 Extrapolated from Internal Revenue Service Data Book, 2016

The **IRS Private Debt Collection (PDC) Program** is a successful public-private partnership that returns vital funding to the U.S. Treasury, ensures fairness in the tax system and offers collaborative solutions that help Americans achieve a zero tax balance.

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