



The Facts About the IRS Direct Debit Payment Option Offered to Taxpayers Participating in the Private Debt Collection Program

The Internal Revenue Service (IRS) Private Debt Collection (PDC) Program receives ongoing oversight from Members of Congress, the U.S. Treasury Inspector General for the Tax Administration (TIGTA), the Taxpayer Advocate Service (TAS) and the Government Accountability Office (GAO). Recently, during regular observation of the PDC Program, TIGTA noted that a significant percentage of taxpayers were requesting to set up recurring payments over the phone but there was no mechanism to do so.

TIGTA recommended the IRS provide taxpayers with a secure way to make recurring payments for the convenience of the taxpayer. In response, the IRS added a new direct debit option to the list of several payment options a taxpayer can choose to leverage when paying down their tax debt.

How it Works

If a taxpayer has underpaid their taxes they may be referred into the PDC Program. Once referred into the program, the taxpayer is contacted by a PDC contractor who is authorized to offer a variety of manageable options to help them pay down their tax debt over time. The taxpayer is walked through several options they can choose from to make their payments directly to the IRS. Among those options, the taxpayer now can choose to set up a recurring direct debit payment from their checking account to make payments.

If a taxpayer opts to set up a recurring direct debit, they must verbally give their recorded consent over the phone and fill out and return an authorization form. Once this multi-step process has been satisfied, the payment schedule will be set. Each month, a secure paper check is generated from the authorized account on the authorized date and sent directly to the IRS.

Each time a payment will be debited, the taxpayer receives a letter in advance that reminds them that they set up the payment and provides the phone number to call the PDC contractor directly if they would like to stop the payment from occurring.

Paper Check Direct Debits Are Very Secure

The same direct debit process has been successfully administered for more than a decade under other federal agency directives – specifically the U.S. Department of Education and U.S. Treasury's Bureau of Fiscal Service. This direct debit option ensures a taxpayer's payment goes directly to the federal government, without passing through any third party. As a result, with tens of millions of transactions successfully processed using this direct debit system, there have been no breaches of banking data in any of the programs using this proven process.

To learn more the PDC Program, visit:
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Taxpayers Who Choose the Direct Debit Option Are Protected

Taxpayers retain all of their rights when opting for direct debit payments, including the right to cancel immediately and at any time. This payment option is purely for the benefit and convenience of the consumer and is purely voluntary.

PDC Program Direct Debits Are at No Cost to the Taxpayer

Banking institutions often charge customers a fee to set up recurring payments. However, there are no fees associated with any installment agreement or payment option offered within the IRS Private Debt Collection Program.

Paper Check Direct Debits Are Tried and True

The paper check method of direct debit has been tested and proven to be as secure and successful as an electronic debit. In fact, a system like this, that generates paper checks, is a multi-day process which provides taxpayers even more time to consider their commitment to recurring payments. Additionally, PDC contractors do not conduct any transactions themselves. The necessary information is collected and provided to the IRS to conduct the transaction.

The Taxpayer is in Control

The PDC Program is purely voluntary, empowering taxpayers to decide how they will resolve their tax debt. The IRS doesn't set a standard minimum payment or duration or even the method of payment – it's strictly up to the taxpayer. The PDC Program gives taxpayers the ability to make lower monthly payments over a longer period of time – up to seven years.

If the taxpayer misses a payment, there's no punitive action. The taxpayer can work with a PDC program representative to get back on track or adjust their payment amount and payment method if their circumstances change. And, if a taxpayer shares they cannot pay their tax obligation, even over time through an installment plan, they are removed from the PDC Program and referred back to the IRS, noting their financial hardship. This collaborative and flexible approach to resolving tax debt can relieve many of the fears and mounting stress taxpayers experience when they owe money to the IRS.

The PDC Program Is Very Secure

The PDC Program is purely voluntary and uniquely provides a very high level of security, customer service and flexibility to support taxpayers along the path to resolving their tax obligation. Taxpayers whose cases are assigned by the IRS into the PDC Program receive several contacts explaining the program, are told who specifically will be contacting them and are provided with several unique authentication steps to allow the taxpayer to confirm that the call they are receiving is legitimate. Additionally, TIGTA, the TAS and the IRS consistently monitor program protocols to ensure the security of the program.

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About the Partnership for Tax Compliance

The Partnership for Tax Compliance is a 501(c)6 non-profit organization that works to educate policymakers and taxpayers about the importance of the public/private partnerships that advance fair tax participation and bolster state and federal government treasuries by recovering tax underpayments. This new coalition aggregates and leverages the vast expertise of the private recovery companies that support the IRS PDC Program, including CBE Group, Performant Recovery, ConServe and Pioneer Credit Recovery. For more information, visit www.partnershipfortaxcompliance.org