## How The IRS Private Debt Collection Program Works

Due to the billions in federal taxes left uncollected each year, in December 2015, Congress mandated the creation of the Internal Revenue Service (IRS) Private Debt Collection (PDC) Program which provides the agency with much-needed manpower resources to assist with the collection of a specific subset of outstanding tax underpayments.

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 by conducting targeted outreach offering collaborative solutions for delinquent taxpayers who are able to voluntarily fulfil their tax obligations.

The process is rigorously guided by IRS regulations. Contractors do not have any information about the taxpayer's level of income. PDC program representatives only make contact with taxpayers to gauge their ability to pay, offer a variety of IRS approved payment options and ensure payments are made directly to the IRS.

### **How Taxpayers Experience the PDC Program**



#### **Program Awareness**

Taxpayers receive a letter from the IRS about the Private Debt Collection Program that includes an authentication number to confirm they are speaking to the appropriate entity.

#### Authentication

- An IRS PDC contractor reaches out by phone to reiterate the details of the program.
- The representative confirms the unique code provided in the IRS letter.
- The representative asks the taxpayer to confirm their contact information.

#### **Taxpayer Rights**

The representative asks the taxpayer if they have received IRS Publication 1 outlining their rights as a taxpayer. If the taxpayer has not received it, the representative reviews it with them.

#### **Full Disclosure**

The representative provides a disclosure overview that details:

- The name of the IRS contractor company
- Who the taxpayer is speaking with and employee number
- The taxpayer's current balance owed to the IRS
- Information obtained will only be used for the purpose of IRS tax collection
- A statement that the Fair Debt Practices Act protects taxpayers from debt collection abuses

#### **Pay in Full**

- If the taxpayer can pay within the next 120 days, the representative provides an overview of how they can make payment directly to the IRS via a variety of payment methods.
- If the taxpayer responds that they cannot pay the balance due to financial hardship, the taxpayer is referred back to the IRS and the contractor returns the account back to the IRS.
- Payment in full benefits the taxpayer, saving them from accruing IRS interest and penalties.



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#### **Important Points to Note**

The IRS offers penalty abatement that may help lower a taxpayer's balance. The taxpayer must apply directly to the IRS for abatement. The PDC representative can walk the taxpayer through the application process online.

IRS payment plans include future interest and penalties built into the payments.

The account remains with the PDC contractor for the duration of the payment arrangement. The arrangement can be restructured along the way for the taxpayer, if needed.

#### Negotiate a Payment Arrangement

- If the taxpayer cannot pay in full within 120 days but can settle the debt over time, they may qualify for a payment arrangement.
- A payment arrangement is possible once the taxpayer files all outstanding tax returns and if the balance is under \$100,000.
- There are two types of payment arrangements offered:
  - Balance is paid within 60 months or within the collection statute, no IRS approval is needed.
  - Plans of 60 to 84 months require IRS approval.
- If these payment options do not work, the representative asks what the taxpayer can afford and works to set up a plan to fit their budget.
- If it would be a hardship to pay the debt, the tax payer is referred back to the IRS and the account is returned to the IRS.

# **Ensuring Fairness for American Taxpayers**

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.

