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United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, DC 20510-6025

<http://appropriations.senate.gov>

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September 6, 2006

The Honorable Mark W. Everson
Commissioner of the Internal Revenue Service
Internal Revenue Building
1111 Constitution Avenue, N.W.
Washington, DC 20224

Dear Mr. Commissioner:

I am writing to urge you to immediately suspend your efforts to outsource the collection of taxpayer debt to private collection agencies (PCAs). I understand that you plan to assign thousands of cases to three private debt collection agencies as soon as this week. You are proceeding with this effort despite an explicit vote by the House Appropriations Committee prohibiting you from moving forward with it. You should suspend your efforts immediately so that the Full Senate and the Appropriations Conference Committee can review this proposal.

I'm deeply concerned that your plan would not adequately protect taxpayer privacy, would not ensure all taxpayers are treated fairly and respectfully, would not guarantee any cost savings to the U.S. Treasury, and would pre-empt the Senate's debate over outsourcing tax collection.

First, your agency has an abysmal record of protecting taxpayer privacy, and this effort could further threaten taxpayer privacy. I don't need to remind you that we have witnessed a number of instances in the recent past in which your agency has failed to protect private taxpayer information from your contractors. Unfortunately, the House Government Reform Committee gave the Treasury Department the grade of a "D-" for your performance in complying with the Federal Information Security Management Act, the principal law requiring federal agencies to provide information security protections to protect data confidentiality. Unfortunately, that Committee has concluded that the Treasury Department's performance has actually worsened in the past three years in this area. Your agency's own history offers more reasons for concern. As you know, ten years ago your agency employed private collection agencies to collect tax debts. That program was terminated after it was found to be a dismal failure. Among the failures that led to its termination was the inability of your agency to adequately protect private taxpayer information.

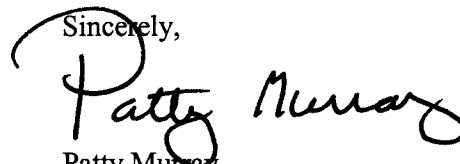
Second, I am concerned that private debt collectors will not show the level of professionalism, sensitivity and respect that taxpayers deserve. There is no question that people who owe back taxes must pay their debt to the government. At the same time, every taxpayer should have the right to interact with a professional IRS agent when it comes to dealing with contested tax liabilities. They should not be required to deal with a private contractor who might be insensitive to a taxpayer's individual predicament. In 2005, the Federal Trade Commission received more consumer complaints about private debt collectors than any other industry.

I am also concerned that your policy could create a two-class system of debt collection. The National Taxpayer Advocate has said that the nature of the debts that you intend to transfer to PCAs will result in these agencies going after “basically the most vulnerable taxpayers” in our society. We should not allow a system to emerge where better-off taxpayers get the benefit of interacting with a professional IRS agent, while economically-disadvantaged taxpayers are relegated to the harassing tactics of private collection agents.

Third, the Taxpayer Advocate has also questioned the cost-effectiveness of this initiative. You testified before the House Transportation-Treasury Appropriations Subcommittee that it would be more cost-effective for IRS agents to collect these debts themselves. I have seen data indicating that using private debt collection agencies will cost the Federal Government almost 25 cents for every dollar collected because of the commissions that must be paid to the collection agencies. It would cost the IRS roughly three cents for every dollar collected if these collection activities were collected in-house. Initially, I am told that it will require 55 IRS personnel to oversee 75 private tax collectors. Taken as a whole, I have to wonder whether the Federal Treasury will really benefit at all from your initiative.

Finally, I have to question your motives in rushing to implement this program while Congress is still debating its merits. More than 400 Members of the House of Representatives approved a bill that included a prohibition on outsourcing tax collection. Why do you find it necessary to move forward with this initiative at this time? If you insist on going forward with this potentially misguided initiative, you should at least wait until Congress has completed its debate regarding its merits. Your effort to start this initiative this week is, at best, premature. At worst, it represents a deliberately ploy to jump out ahead of Congress’s own deliberations as to the wisdom of your initiative. You should suspend this effort immediately.

Sincerely,

A handwritten signature in black ink that reads "Patty Murray". The signature is written in a cursive, flowing style with a large initial "P".

Patty Murray

Ranking Member

Subcommittee on Transportation, Treasury, the
Judiciary, Housing and Urban Development,
and Related Agencies

cc: The Honorable Henry M. Paulson