

Hawaii Reporter

House Measure Targets Taxpayer Harassment by Private Collectors

Taxpayer Outreach and Protections Also Increased Under Measure

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WASHINGTON, DC - “Only the Bush Administration would outsource the collection of federal income taxes to private companies and lose \$50-million on the deal,” said U. S. Representative Neil Abercrombie today, as the House approved the Taxpayer Assistance and Simplification Act to rescind Internal Revenue Service (IRS) authority to hire outside tax collectors.

The House-passed bill would repeal the authority of the IRS to enter into contacts with private collection agencies to collect outstanding federal income taxes at a cost of \$578-million over the next ten years. Thus far, contractors have made \$50-million more in bounties under the agreement than they have collected in overdue taxes.

“This private debt collection scheme isn’t just a financial loser, it has exposed taxpayers to harassment, abusive calling, and violations of taxpayer rights and disclosure protections,” said Abercrombie. “The Government Accountability Office found in its investigation that debt collectors placed more than one million calls — many to innocent people — to reach 35,000 taxpayers. The Federal Trade Commission had 130 complaints as of last year.”

Contracting out for the collection of federal income taxes has raised the additional concern of turning over individual taxpayer information to private companies.

“Giving unaccountable private contractors access to Americans’ personal financial data poses a risk that we just cannot afford,” Abercrombie said.

The Taxpayer Assistance and Simplification Act also:

- Includes new taxpayer protections against identity theft and tax fraud, requiring the IRS to notify a taxpayer that there may have been unauthorized use of the taxpayer’s identity in the course of a tax fraud investigation;
- Cracks down on misleading websites that try to get personal information by imitating the IRS;
- Closes offshore tax loopholes that allow government contractors, who receive millions or billions in taxpayers’ dollars, to set up sham companies in foreign jurisdictions to avoid paying Social Security and Medicare taxes;

- Requires the IRS to increase outreach efforts so people know when they are entitled to tax refunds or to payments under the Earned Income Tax Credit (EITC). In one year, nearly 25 percent of households eligible for the EITC did not claim it; and
- Strengthens taxpayer protections from "predatory" providers of refund anticipation loans.