

IRS News Release

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IRS Selects Three Firms to Take Part in Delinquent Tax Collection Effort

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WASHINGTON — The Internal Revenue Service today awarded contracts to three firms to participate in the first phase of its private debt collection initiative.

The firms are:

- The CBE Group Inc., Waterloo, Iowa.
- Linebarger Goggan Blair & Sampson, LLP, Austin, Texas.
- Pioneer Credit Recovery, Inc., Arcade, N.Y.

A total of 33 firms took part in the competitive bidding process that resulted in today's contract awards.

"The vast majority of states use private firms to help collect delinquent taxes. The new authority that Congress gave to the federal government allows us to use private firms as well," said IRS Commissioner Mark W. Everson. "We have carefully considered all of the concerns expressed about this project, which involves work traditionally done by the government. As a result, we are putting tough safeguards in place to protect taxpayer rights and privacy. We will be closely monitoring contractor performance to make sure they're following the law as well as our own internal standards."

To assist the IRS in its collection of back taxes, the 2004 American Jobs Creation Act authorizes the IRS to hire private firms to collect federal tax debts. This particular portion of the law was carefully crafted and includes several limitations to ensure the private firms will be subject to the same stringent taxpayer protection and privacy rules that IRS employees work under. In addition, private firms cannot subcontract the work. The IRS expects to assign uncollected liabilities to the firms beginning this summer.

The IRS has also developed its own guidelines for the private firms, including background checks on all private firm personnel associated with the project as well as a mandatory, IRS-directed training program for company personnel.

Private firms will not be authorized to take enforcement actions such as liens, levies or seizures. In addition, private firms will not be authorized to work on technical issues such as offers in compromise, bankruptcies, hardship issues or litigation. Rather, the IRS will assign to the private firms cases in which the taxpayer has not disputed the liability. The private firms will contact taxpayers to make payment arrangements.

“Redirecting relatively simple cases to private firms will permit the IRS to focus its existing collection and enforcement personnel on more complex tax issues,” Everson said.

In the second phase of the private debt collection project, scheduled for 2008, the IRS intends to contract with up to 10 firms. Over the course of 10 years, the IRS expects the private firms to help it collect an additional \$1.4 billion in outstanding taxes.