



News Release

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IRS Conducts Extensive Review, Decides Not to Renew Private Debt Collection Contracts

IRS Employees More Flexible, More Cost Effective

IR-2009-19, March 5, 2009

WASHINGTON — After conducting an extensive review of the private debt collection program, including the cost effectiveness of the effort, the Internal Revenue Service will not renew its contracts with two private debt collection agencies, the agency announced today.

The IRS determined that the work is best done by IRS employees who have more flexibility handling cases, which is particularly important with many taxpayers currently facing economic hardship.

The current one-year contracts expire Friday.

“After a thorough review of this program, I have decided not to renew the contracts,” IRS Commissioner Doug Shulman said. “I believe this work is best done by IRS employees, and I believe we have strong support from the Administration and the Congress for increased IRS enforcement resources going forward.”

Shulman also noted that the IRS anticipates hiring over 1,000 new collection personnel in FY 2009. These new employees would give the IRS the flexibility to make assignments based on the areas of greatest need rather than filtering which cases can be worked using contractor resources.

Shulman cited the results of a cost-effectiveness study of the private debt collection program. The study – supported by an independent review -- showed that it is reasonable to conclude that when working similar inventory, IRS collection is more cost effective than the contractors.

IRS employees have a range of options available to them in attempting to resolve difficult collection cases that, by law, the private contractors do not have.

“In these challenging economic times, I have asked all IRS employees to go the extra mile to help financially distressed taxpayers,” Shulman said. “IRS employees have more options available to them to resolve difficult collection cases.”

Shulman also said that the decision was in no way based on concerns over the performance of the two contractors affected, who performed according to the terms of the contract throughout. “I have asked IRS officials to ensure that the ramp down is orderly, and that the IRS perform targeted outreach to any displaced contractor employees that would consider applying for positions at the IRS,” Shulman said.

“By investing in IRS employees to perform this collection work, we can be assured that we have all the tools available for helping taxpayers confronting complex situations,” Shulman said.