



News Release

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IRS Outlines Taxpayer Protections in Private Debt Collection Program

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WASHINGTON – The Internal Revenue Service released legal guidance today outlining the protections in place for the new private debt collection program. The guidance, contained in Announcement 2006-63, describes the limited role private collection agencies (PCAs) may play in collecting back taxes and the legal restrictions and procedures in place to safeguard taxpayer privacy and taxpayer rights.

The IRS will assign delinquent federal tax accounts to three PCAs beginning Sept. 7. An initial 12,500 taxpayers who owe back taxes will be in this group, with the number reaching approximately 40,000 by year's end.

"We're going to implement this program very carefully so we have a good program on sound footing," IRS Commissioner Mark W. Everson said. "We are working hard to protect taxpayer privacy and taxpayer rights."

In addition to describing the rules that will guide PCA conduct and protect taxpayer rights, Announcement 2006-63 also describes the type of contacts a PCA may have with a taxpayer and the procedures in place for the IRS to assist in training and monitoring PCAs.

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 provision was carefully crafted by Congress 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 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 are not authorized to take enforcement actions such as filing liens, or making levies or property seizures. In addition, private firms are not 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 continue to focus its existing collection and enforcement personnel on more complex tax issues," Everson said.