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Grassley Urges Private Debt Collection Detractors to Consider Facts,
Including Disciplinary Actions Against IRS Employees

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, with jurisdiction over tax policy, today urged detractors of the private debt collection program to consider facts, including disciplinary action against IRS employees and the IRS’ own poor track record of collecting the \$345 billion of owed taxes known as the tax gap. Disciplinary action against IRS employees included staff in the office of the national taxpayer advocate, a frequent critic of the private debt collection program.

Grassley wrote to Sen. Byron Dorgan, the lead sponsor of legislation to cut the program, and copied the Senate co-sponsors of the Dorgan bill. The text of his letter follows here. The IRS commissioner’s two disciplinary reports for 2007 are available at finance.senate.gov.

April 15, 2008

The Honorable Byron Dorgan
322 Hart Senate Office Building
Washington, D.C. 20510-2405

Dear Senator Dorgan:

As the sponsor of legislation to prohibit the Internal Revenue Service from using private debt collection companies, you should be aware of several important points.

First, the discussion over whether to gut this relatively new program has focused on its effectiveness. Detractors claim the IRS would be more effective than private companies in collecting tax dollars that are due and owed. However, the IRS has no interest and no will to pursue these debts and said so in today’s Washington Post:

But IRS officials also say that if private collection ended, it is unlikely that the IRS would redirect resources to the kinds of cases the private firms handle.

"Our own collection resources wouldn't get down to this level, not that we wouldn't have made an attempt," said David Alito, director of collection at the IRS.

The tax gap of \$345 billion grew in part because the IRS either lacks the will, direction, innovation, or sound management to stay on top of the problem. Congress may have contributed to these failures. If the private debt collection program is the "hood ornament for incompetence," as you called it, then the IRS' failure to collect \$345 billion of taxes due and owed is the Edsel of government functions.

Second, the private debt collection program is being derided for costing more money than it raises for the federal Treasury. However, IRS employees are a big expense for the federal Treasury. Salaries and benefits are costly, and IRS employees are almost always permanent. Also, the program is still relatively new. It should have a fair chance to succeed or fail on its merits before Congress rushes to kill it in the cradle.

Third, much has been made about complaints involving the private debt collection program. Of course no taxpayer should be subject to any kind of abuse or surly customer service from either a government agency or its proxy. Those of us who helped to create the private debt collection program purposely built in a series of taxpayer protections. Ironically, staff members in the National Taxpayer Advocate's Office were disciplined dozens of times for problems last year, including some that directly involved taxpayers: "computer security and taxpayer privacy violations." Other causes for disciplinary action included "taxes, failure to properly and timely file or pay" and "government credit card problems."

Overall, the IRS took 2,366 disciplinary actions out of 99,022 employees from Jan. 1, 2007, to Jan. 30, 2007. The IRS took 2,185 disciplinary actions out of 94,696 employees from July 1, 2007, to Dec. 31, 2007. Please note these are formal disciplinary actions, not pending cases. In other words, the IRS took disciplinary action against 2.3 percent of its workforce last year. As with the taxpayer advocate's office, some of the disciplinary actions did not involve taxpayer privacy or service.

Clearly, the vast majority of IRS employees work diligently and ethically. But IRS employees have occasional lapses in judgment, just like members of the population at large. I hope you and other skeptics will keep that in mind and take the time to evaluate any complaints involving the private debt collection companies in substance, in context, and in comparison to the IRS' workforce before rendering judgment that it's time to kill a program to do a job that the IRS couldn't or wouldn't. Thank you for your consideration.

Sincerely,

Chuck Grassley

Attachments via e-mail

Cc: 23 cosponsors of S. 335, Sen. Dorgan's bill to prohibit the IRS from using private debt collection companies

Sen. Daniel Akaka
Sen. Sherrod Brown
Sen. Benjamin Cardin
Sen. Hillary Rodham Clinton
Sen. Daniel Inouye
Sen. John Kerry
Sen. Frank Lautenberg
Sen. Carl Levin
Sen. Robert Menendez
Sen. Patty Murray
Sen. John Rockefeller
Sen. Barbara Boxer
Sen. Maria Cantwell
Sen. Robert Casey
Sen. Dianne Feinstein
Sen. Edward Kennedy
Sen. Amy Klobuchar
Sen. Patrick Leahy
Sen. Joseph Lieberman
Sen. Barbara Mikulski
Sen. Jack Reed
Sen. Jim Webb
Sen. Sheldon Whitehouse