TIGTA Report on Private Collection Agency Performance

Cross References

• TIGTA Report Number: 2021-30-010, December 28, 2020

Under the Fixing America's Surface Transportation (FAST), Act, signed into law on December 4, 2015, the IRS is required to use private debt collection companies to collect taxes on cases involving inactive tax receivables. The IRS started delivering inactive tax receivables (inventory) to private collection agencies in April of 2017. As of May 2020, the IRS has assigned over 3.28 million taxpayer accounts totaling more than $30.1 billion in delinquencies to private collectors since inception of the program.

The Treasury Inspector General for Tax Administration (TIGTA) was established under the IRS Restructuring and Reform Act of 1998 to provide independent oversight of IRS activities. TIGTA recently issued a report on the performance of private collection agencies (PCAs). The report reveals that out of the $30.1 billion that is owed in delinquent tax liabilities, PCAs have only been able to collect $498.4 million.

The report also states that out of the 3.28 million taxpayer accounts assigned to PCAs, only 130,000 payment arrangements have been established, and that taxpayers have later defaulted on more than half of these arrangements.

The IRS has been able to exclude taxpayer cases with Social Security Disability Insurance from PCA inventory per the new requirements of the Taxpayer First Act of 2019. However, the IRS states that the Social Security Administration does not have the legal authority to provide Supplemental Security Income information in order for the IRS to exclude those taxpayers from PCA inventory. Therefore, the IRS is completely dependent on the PCAs to ensure that the accounts of taxpayers receiving Supplemental Security Income are returned to the IRS. Additionally, TIGTA determined that the methodology being used by the IRS to exclude low-income taxpayers at or below 200 percent of the federal poverty level may not prevent all of these taxpayers from being assigned to PCAs.

Taxpayers under levy are exempt from PCA assignment. However, TIGTA identified 14,586 taxpayers subject to the State Income Tax Levy Program while assigned to PCA inventory. The IRS received levy proceeds from these taxpayers totaling $6,228,806. TIGTA also identified seven taxpayers with levy payments totaling $7,419 while in active payment arrangements with PCAs.

TIGTA made seven recommendations to improve program efficiency and protection of taxpayer rights. The IRS agreed with two of the seven recommendations and disagreed with five recommendations. The IRS plans to review the PCAs' procedures during the annual security review to ensure compliance with the Policy and Procedure Guide and applicable security measures as they apply to the information needed for establishing pre-authorized direct debit payments. Additionally, the IRS plans to update the Policy and Procedure Guide and PDC Operations Guide and conduct reviews to ensure that PCAs protect against potential disclosure of taxpayer information.