



October 23, 2015

Dear Representative:

As the House begins deliberations on how to fund a multi-year highway bill, I ask you to oppose any provisions to help offset the cost of the highway bill that would 1) require the outsourcing of tax collection to private companies or 2) divert Customs user fees from funding CBP inspection services for which they are collected.

Earlier this year, the Senate approved its own version of a highway bill, HR 22, that included two provisions, Section 52106 and Section 52202, that offset the cost of an extension of the Highway Trust Fund by requiring the Secretary of Treasury to contract with private collection agencies (PCAs) to collect taxes and by indexing Customs User fees to inflation and diverting the increased fees to fund non-related highway projects. Both provisions would adversely affect the provision of critical services to the American people.

Outsourcing of Tax Collection:

The use of PCAs to collect tax debts has repeatedly been shown to be a waste of taxpayer dollars. The Treasury Secretary currently has the authority, but has chosen not to enter into such contracts. The first attempt to use PCAs to collect Federal taxes came in 1996 and 1997, when Congress authorized IRS to conduct two pilot projects testing the use of PCAs to collect tax debts. The 1996 pilot was so unsuccessful it was cancelled after 12 months. Contractors participating in the pilot programs were found to have regularly violated the Fair Debt Collection Practices Act, and the program resulted in a \$17 million net loss.

Under legislation enacted in 2004, the IRS again attempted the use of PCAs to collect Federal taxes in 2006. In September of that year, the IRS began turning over delinquent taxpayer accounts to three PCAs who were permitted to keep between 21-24 percent of the money they collected. While the program was projected to bring in up to \$2.2 billion in unpaid taxes, the program resulted in a net loss of almost \$4.5 million to the federal government, after subtracting \$86.2 million in program administration costs and more than \$16 million in commissions to the PCAs.

In addition to being fiscally unsound, allowing PCAs to collect tax debt on a commission basis led to taxpayer abuse. According to the IRS, between September 2006 and March 2009, the IRS received dozens of taxpayer complaints against the PCAs, five of which were confirmed by an IRS Complaint Panel to be serious violations of law.

NTEU is not alone in its opposition to outsourcing the collection of taxes. Opposition to allowing private companies to collect taxes on a commission basis has been voiced by the

Administration, the National Taxpayer Advocate and a coalition of civil and consumer rights groups, including the NAACP and the National Council of La Raza.

Diversion of Customs User Fees:

Customs and Border Protection (CBP) collects Customs user fees to recover certain agency costs incurred for inspecting and processing, air and sea passengers, and various private and commercial land, sea, air, and rail carriers and shipments. Under current law, as authorized under 19 USC 58c, the source of these user fees are commercial vessels, commercial vehicles, rail cars, private aircraft, private vessels, air passengers, sea passengers, cruise vessel passengers, dutiable mail, customs brokers and barge/bulk carriers. These fees are deposited into the Customs User Fee Account, and are designated by statute to pay for services provided to the user, such as inspections for passenger and commercial vehicles.

Currently, Customs user fees fund nearly one-third of the current CBP Officer workforce—over 7,000 Officers. It should also be noted that Customs user fees have not been increased in years, and some of these user fees now cover only a portion of recoverable fee-related costs.

Sufficient CBP staffing must be provided to ensure security and mitigate long wait times at our nation's air, sea and land ports of entry. There is perhaps no greater roadblock to legitimate trade and travel efficiency than the shortage of staff at the ports. Understaffed ports lead to long delays for the traveling public and in commercial lanes as cargo waits to enter U.S. commerce. Those delays result in real losses to the U.S. economy. According to the U.S. Department of Treasury, more than 50 million Americans work for companies that engage in international trade and travel. Trade and travel related job creation, border security and mitigating wait times at the ports of entry require stable funding of CBP.

Any increases to the Customs User Fee Account should be properly used for much-needed CBP staffing and not diverted to unrelated projects. Indexing Customs user fees to inflation would raise \$4 billion over ten years—a potential \$400 million per year funding stream to pay for the hiring of additional CBP Officers to perform its national security, law enforcement and trade and travel facilitation missions.

On behalf of the members of the National Treasury Employees Union, (NTEU), **I am writing to urge you to oppose outsourcing tax collection and diverting Customs user fees to offset the costs of the highway bill.**

Sincerely,

A handwritten signature in black ink that reads "Tony Reardon". The signature is fluid and cursive, with a long horizontal stroke at the end.

Anthony M. Reardon
National President