

Summary/Highlights
Violations/Taxpayer Complaints About Private Debt Collectors
May 10, 2007

The IRS provided the attached list of 72 violations of law/contract terms and taxpayer complaints about private debt collectors from September 2006-April 2007. This list does not reflect all complaints and problems taxpayers have faced. It is merely a compilation of violations identified by the IRS in monitoring some taxpayer-private contractor telephone conversations and some complaints self-reported to the IRS by the private contractors. This list has been redacted by the IRS to eliminate taxpayer identifying information and to allow for public discussion of the materials. The following areas are highlighted:

Unauthorized Disclosure of Taxpayer Information (section 6103):

#13-Double Stuffing: Taxpayers received letters about other taxpayers, including name, address, and amount of taxes due, in letters sent by a private debt collector. (IRS is aware of 1 instance. It is not clear how many envelopes were “double stuffed” resulting in violation of current law taxpayer disclosure protections.)

Taxpayer's Sending Responses to Wrong PCA Sites That are Not Secure:

#4/#5-Wrong PCA Site: Taxpayers directed mail to another PCA location separate from that used for IRS work. PCA employees not cleared or assigned to IRS contract opened mail. Mail was forwarded to correct PCA-IRS facility.

#66-Wrong PCA Site (6 months later): Taxpayer directed mail to PCA location separate from that used for IRS work. Mail was forwarded to correct PCA-IRS facility.

Violation of Taxpayer Rights, Fair Debt Collection Act, and Other Federal/State Consumer Protection Laws:

#17-Abusive Calling: A taxpayer's elderly parents were called 150 times, including 5 times a day, asking for the taxpayer. The IRS reports that within the first 5 calls the private collector had established that the taxpayer did not reside at the location the collector was calling. None the less, calls continue for 27 more days with 1-7 calls per day. Even after the taxpayer called to complain and opt out of the private debt collection program, the collector called the parents 1½ hours later. The contractor initially did not acknowledge any wrongdoing. Later, the contractor agreed to change its telephone policy to one call per day. (It is unclear whether this procedure was followed and what the other contractors' practices are.)

#20-No Business License: A contractor falsely assured the IRS that it was authorized to do business in all states, when in fact it was not licensed in North Dakota. The private contractor 10 calls to a taxpayer in North Dakota and talked to the taxpayer twice.

Taxpayer Complaints of Calls Seeking Social Security Numbers and Other Personal Information/ Harassment/Fears of Identity Theft:

#30-Identity Theft/Scam: A taxpayer complained he got 3 phone calls from a private collector within a 24 hour period. In talking with the private collector on 2 occasions, the collector would only tell him the name of the company and then demanded the taxpayer's social security number. The taxpayer called the California Attorney General's office and was advised that the call was a "scam."

#18-Economic Hardship: A taxpayer complained that the private collector laughed at him when discussing his inability to pay due to economic hardship. (There is no indication that the case was forwarded to the IRS Taxpayer Advocate for handling.)

Numerous--Voice Mail Messages/Predictive Caller Hangups:

Private collectors have made hundreds of thousands of calls to taxpayers over the past 6 months, leaving messages such as "Hi. This is Heidi. Please call me back at 1-877-xxx-xxxx." Similarly, collection companies use predictive calling devices to dial telephone numbers several times a day, leaving no messages, with the hopes that someone will answer the telephone. This is very unsettling to taxpayers, most of which, still do not know that it is an IRS-hired contractor calling them. (The IRS does not know how many such voice mail/predictive dialer calls are made. Over 300,000 calls were made by the private collectors to locate 34,000 taxpayers over the past 6 months.)

Numerous--Cat and Mouse Game (Authentication Process): The IRS sent 30,000 letters to taxpayers telling them that their tax debt has been sent to a private debt collector. In follow-up, the private collectors are required to send a letter to the taxpayer. The IRS reports that many mailings are returned and never received by the taxpayer. Also, the mailing envelope from the private debt collector looks like "junk mail" and, undoubtedly, is thrown out. This is important because hundreds of thousands of taxpayers are getting called by private collectors and they have no idea what is happening. Thousands of these are innocent taxpayers that owe no federal taxes. Worse, when a private collector gets a taxpayer on the phone, the collector demands the taxpayer's social security number and home address. Most taxpayers refuse to offer up their personal information to a caller they do not know. (Staff estimates that the number of calls where the taxpayer refuses to provide personal information to a company they do not know could be more than 200,000 taxpayers over the past 6 months.)

Other Taxpayer Concerns:

#10-Spanish Speaker: A taxpayer was left on hold and private collector was unable to accommodate the Spanish speaker. (It is unclear what private contractors do with taxpayers who do not speak English.)

#48/#69 - Power of Attorney: Taxpayer's attorney could not assist his client since the PCA didn't have the powers of attorney filed with the IRS.

#56 - Installment Agreement (IA) Fee: A taxpayer set up an installment agreement through PCA and sent in the first payment along with the \$105 user fee. The IA was later denied. The taxpayer was upset that he had paid the fee. (IRS would not accept a payment and user fee prior to the IA being approved.)