

Coming Soon: IRS Private Debt Collectors — and Scammers, Too?

Posted By *Sid Kirchheimer* On January 15, 2016 @ 10:00 am In Scam Alert

Combine the nation's biggest scam, the most criticized profession and a new federal mandate issued to the IRS that's buried in a highway funding bill and what's the result? The potential for more top-shelf trickery — and, perhaps, a well-deserved "Whaaa?"



As part of the FAST Act (Fixing America's Surface Transportation Act) signed into law last month by President Obama, the IRS is now *required*, versus permitted, to use private collectors to help recoup owed tax debt. See [Section 32102](#) of this five-year infrastructure spending measure.

Will this new law benefit scammers by adding another layer of confusion to already migraine-size consumer headaches?

As of last October, the Treasury Inspector General for Tax Administration had already received 736,000 complaints about fraudsters posing as IRS agents who claim their targets owe back taxes. Unless they are immediately paid by wire transfer or prepaid debit card, these con artists threaten arrest, deportation and seizure of property; they've already swindled people out of at least \$23 million in two years. This IRS impostor scam was the most reported ruse to our Fraud Watch Network Helpline (877-908-3360 toll-free), the Better Business Bureau and others in 2015.

Meanwhile, because of their own unrelenting and threatening phone calls — often to the wrong person — debt collectors generate more consumer complaints to the Federal Trade Commission and Consumer Financial Protection Board than any other industry.

Since the scam first surfaced, in October 2013, the IRS has repeatedly stressed, "We will not call about taxes you owe without first mailing you a bill." But legitimate debt collectors will phone people.

Although there's no firm start date, private collectors are slated to begin working on behalf of the IRS early next year. But at least for now, assume that any call from a self-described IRS private collector is, in fact, a swindler.

IRS spokeswoman Yadira Nadal declined to answer specific questions from the Fraud Watch Network on how consumers can distinguish its real collectors from fraudsters. "The IRS is reviewing the legislation and taking steps to begin implementation of the program as soon as feasible," she said by email.

Here's what you should know if you're contacted by an IRS private collector about delinquent taxes:

Unless the IRS has an incorrect address, both the agency and its private collectors should *first* make contact by mailed letter. (Nadal wouldn't comment if more than one letter is sent before the case is turned over to collections.) In a recent interview, IRS Commissioner John Koskinen told the *Washington Post*, "If you are surprised to be hearing from us, you're probably not hearing from us, because you won't hear from us first by phone."

Those who owe tax money but cannot pay in full will be offered an installment plan for up to five years. If five years isn't enough, "the collector asks for taxpayer financial information to see what sort of deal the taxpayer should get," explains Robert W. Wood, who covers taxes and litigation for *Forbes*.

Private collectors for the IRS cannot accept direct payments; all payments must be made to the U.S. Treasury. The agency will not require specific types of payments such as wire transfers or prepaid debit cards. Scammers prefer these methods because they are hard to trace and can be redeemed anywhere in the world.

The same rules on other collectors apply: No calls before 8 a.m. or after 9 p.m. You must be sent a written "validation notice" telling you how much money you owe within five days of first contact. No harassing, abusive or threatening language is allowed.

Certain tax bills (and therefore phone calls) cannot be handled by private collectors for the IRS — namely, those for taxpayers who are deceased, under age 18, in a designated combat zone or a victim of identity theft. Debtors currently in audit, litigation or criminal investigation are also off-limits to third-party hired guns.