

Private Collection Agencies Now Work For The IRS

By Robert W. Wood

Unpaid taxes are never an easy subject, and few people like reminders about them, much less pushy collection efforts. Being chased by the Internal Revenue Service is not fun, although most California taxpayers would tell you that being chased by the Franchise Tax Board is worse. Golden State tax officials are even less forgiving than the IRS.

With the IRS, now four private debt collection firms are getting in on the action. The use of private debt collectors has long been a controversial subject. But Congress approved letting the IRS farm out some collections way back in 2015. The IRS has finally rolled it out, making private collectors a reality.

One key point about private collectors: The IRS will *always* notify taxpayers first that the debt is being farmed out. That is supposed to help prevent scams. And you are never to pay the private collector. This is one more reason *never* to ignore mail from the IRS.

First, the IRS will send a letter to the taxpayer and their tax representative informing them that their account is being assigned to a collection agency. It will give the name and contact information for the collection agency. This mailing will include a copy of IRS Publication 4518, "What You Can Expect When the IRS Assigns Your Account to a Private Collection Agency." So far, only four private collection agencies are authorized to participate: CBE Group of Cedar Falls, Iowa; Conserve of Fairport, New York; Performant of Livermore, California; and Pioneer of Horseheads, New York.

Your account will only be assigned to one of these agencies, never to all four. Once the IRS sends you a letter, the private collector will send its own letter (again to you and your representative) about the account transfer. To protect the taxpayer's privacy and security, both the IRS letter and the collection firm's letter will contain information that will help taxpayers identify the tax amount owed, and assure taxpayers that future collection agency calls they may receive are legitimate.

The private collectors will identify themselves as *contractors* of the IRS collecting taxes. Employees of the collection agencies must follow the provisions of the Fair Debt Collection Practices Act. Just like IRS employees, the collectors must be courteous and must respect taxpayer rights. The private firms are authorized to discuss payment options, including setting up payment agreements.

But any tax payments must be made, either electronically or by check, directly to the IRS. Checks should only be made payable to the United States Treasury. Here are some other important distinctions between private collectors and IRS officials. These private firms are *not* authorized to take enforcement action against taxpayers.

Only IRS employees can file a notice of Federal Tax Lien, issue a levy, etc. Of course, there are big worries about scammers. The IRS warns taxpayers to watch for scammers *posing* as private collection firms. If taxpayers are unsure if they have an unpaid past tax debt they can go to IRS.gov and check their account balance at www.irs.gov/balancedue.

What do scammers do but the IRS and its contractors will never do? Scammers may call to demand immediate payment using a specific payment method such as a prepaid debit card, gift card or wire transfer. Generally, the IRS will first mail a bill to any taxpayer who owes taxes. If a case is assigned to a private collector, both the IRS and the authorized collection agency will send the taxpayer a letter.

Payment will always be to the United States Treasury. Scammers may also threaten to immediately bring in local police or other law-enforcement groups to have the taxpayer arrested for not paying. IRS won't do that.

Scammers may also demand that taxes be paid without giving the taxpayer the opportunity to question or appeal the amount owed. Finally, scammers may ask for credit or debit card numbers over the phone. You may not like being pushed to pay by the IRS, but the IRS will never do that. The IRS has more information on its "Tax Scams and Consumer Alerts" page at www.irs.gov.

If you owe taxes, should you just wait to be contacted? Maybe not. The IRS encourages taxpayers who are behind to come forward to pay or set up a payment plan. Those who owe \$50,000 or less in combined tax, penalties and interest can use an Online Payment Agreement on the IRS website to set up a monthly payment agreement for up to 72 months. Taxpayers can choose this option even if they have not yet received a bill or notice from the IRS.

With the Online Payment Agreement, no paperwork is required, and qualified taxpayers can avoid the filing of a Notice of Federal Tax Lien if one was not previously filed. Alternatively, taxpayers can request a payment agreement by filing Form 9465. This form can be downloaded from IRS.gov and mailed along with a tax return, bill or notice.

If you have few assets and are financially struggling, you could even qualify for an offer-in-compromise. Just don't believe all the pennies-on-the-dollar testimonials you hear on TV. An offer in compromise is an agreement between a taxpayer and the IRS that settles tax liabilities for less than the full amount owed. The IRS looks at the taxpayer's income and assets to make a determination regarding the taxpayer's ability to pay. To help determine eligibility, use the Offer in Compromise Pre-Qualifier, a free online tool available on www.irs.gov.

Some tax bills *cannot* go to private collectors, as where: there is a pending or active offer-in-compromise or installment agreement; it is an innocent spouse case; the taxpayer is deceased, under age 18, in a designated combat zone, or is a victim of identity theft; the taxpayer is under IRS audit, in litigation, criminal investigation, or levy; or the taxpayer has gone to IRS Appeals.

One more tax collection fact from the IRS? If you have more than a \$50,000 tax debt, you might also have trouble traveling. The IRS can move to revoke your passport, or prevent you getting one issued or renewed. As with everything tax related, there are nuanced procedures for this too.

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