

Rothman Amendment to Stop the Privatization of Tax Collection Passes

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Veterans' Information Already Compromised; Rothman Amendment Prevents Your Tax Information from Being Next

(Washington, DC)— In a major victory for taxpayers, Rep. Steve Rothman (D-NJ) today garnered bipartisan support for his amendment to a federal spending bill that prevents President Bush from outsourcing the collection of taxes. Given the tense partisanship in the House, today's 29-27 vote in favor of the Rothman Amendment is a testament to Rep. Rothman's ongoing work on this issue and the amendment's merit.

"With personal identity theft on the rise, it makes no sense to hand over 2.65 million taxpayer files to private debt collection companies. I am proud that my colleagues joined me in saying 'no' to President Bush's harebrained idea to create a new, privatized tax collection system. It would cost taxpayers more while protecting their personal financial information less," said Rothman.

Instead of hiring additional federal employees to collect unpaid taxes with only an overhead of three cents per tax dollar collected, President Bush requested \$54 million in a spending bill to allow the IRS to set up a system from scratch to subcontract private collection companies to do the job for up to twenty-five cents per taxpayer dollar collected. The Rothman Amendment blocks the IRS from spending that \$54 million to outsource tax collection.

"Currently, a system of checks and balances that has been refined over the years ensures that IRS employees protect taxpayers' private information. If we allow that information to be handed over to private collection agencies, we put taxpayers the mercy of these private, for-profit companies. That's not good enough for me or the people of this country," added Rothman.

An Expensive Proposition

Not only does the Administration's privatization scheme put taxpayers' private financial information at greater risk of being lost, stolen, or intentionally misused by identity thieves, it is also expensive. On top of the \$54 million start-up price-tag, the private collection agencies will earn commissions of up to 25% on any back taxes they actually collect. In contrast, IRS employees could do the job for less than 3%.

In fact, the bipartisan Joint Committee on Taxation reports that it will cost \$350 million on top of the \$54 million start-up cost for debt collection companies to collect \$1.5 billion over ten years. Yet, by hiring additional IRS employees to collect the unpaid taxes, the IRS would spend \$290 million to collect \$9.5 billion in one year.

Earlier this year, Rothman's questioning forced the IRS Commissioner, Mark Everson, to 'freely admit' that the Administration's privatization of tax collection will waste millions of taxpayer dollars each year. In addition to being expensive, debt collection companies are the most complained-about industry in America, according to Federal Trade Commission consumer complaint data.

The full House of Representatives is expected to vote on the FY2007 Transportation-Treasury spending bill with the Rothman Amendment next week.

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