



## Robert W. Wood

THE TAX LAWYER

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TAXES 3/07/2015

### Undercover Tourist Tax Spies In Greece, Then Private Bounty Hunters For IRS

The Greek economy may be failing, waiting for a European bailout. But you have to admire the Greeks' audacity for [proposing tourists as tax inspectors](#)! Cheating on taxes is common in Greece, and so are tourists. It may make for a crazy marriage of convenience.

The Trojan Horse story warns to be wary of Greeks bearing gifts. But Greeks could be wary of everyone if the country rolls out its proposed tax militia. The Greek government wants to empower tourists, students, and housekeepers as inspectors to collect taxes. They would be wired with audio and video equipment too, according to a [letter](#) to eurozone authorities.

[Yanis Varoufakis](#), the Greek finance minister, said they would be short-term hourly workers. No one would ever know when they were being observed. The fact that these casual undercover tax agents would have audio and video equipment would be the icing on the baklava.



But the reaction from eurozone officials and from the public is generally more amused than impressed. The army of amateur tax sleuths to rat out merchants and consumers in everyday life may sound strange. But the IRS too has already tried private tax collectors.

Over 5 million people owe the IRS and are delinquent. If the IRS can't collect effectively, the reasoning goes, so someone more like Dog the Bounty Hunter might do better. Maybe, but many people think allowing the IRS to farm out collection work to private contractors is a bad idea. National Taxpayer Advocate Nina Olson wrote a [letter](#) about the idea, and says the 2006-2009 program using private collectors didn't even raise revenue.

The IRS used private collectors twice over the last two decades. Ms. Olson says it wasn't pretty, suggesting that tax collection is more nuanced than you might think. For example, the IRS can use its levy, lien and seizure powers to address bad actors who just *won't* pay. But many people need an installment deal or offer in compromise.

Private collectors are likely to lump everyone together and just try to put on the squeeze. The Taxpayer Advocate list many worries about private collectors, including:

- Providing IDs and personal data to private companies is risky.
- IRS employees who get abusive face strict penalties. Private collectors don't.
- IRS employees must be straightforward in their dealings with taxpayers. Private collectors use psychological techniques and exert pressure.
- The IRS would end up sending many Obamacare penalty cases to private collectors, and the healthcare law is already beset by big problems.
- Private collectors sound like a revenue raiser but are more likely to be a revenue loser.

Does anyone want private collectors? Senators Chuck Grassley and Charles Schumer, among others. A [bill](#) in Congress would allow more of it. Sen. Grassley says tax enforcement is down and the tax system isn't working. He says private contractors will collect more money and do it more efficiently. A 2004 law authorized private collectors.

From 2006 to 2009, private contractors worked dog cases the IRS wouldn't pursue. The contractors collected nearly \$100 million. And that's not all. Sen. Grassley says the IRS's own data shows the quality ratings of private contractors were high—consistently above those for IRS employees.

But in March 2009, the IRS went back in-house, claiming that IRS employees could collect tax debts cheaper and better. In response, Sen. Grassley points to a 2010 Government Accountability Office study suggesting that the IRS manipulated the data to get the results it wanted. Indeed, a 2011 TIGTA report also supported private collectors.

It found the IRS worked less than half the cases private contractors did. Up to \$516 million could have been collected by private debt collectors, it claimed. So with all these conflicting reports, don't be surprised if Dog or someone like him might show up at your door.

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