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IRS Unleashes Private Collection Agencies To Chase Tax Debts

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You may hate being chased by the IRS. But now, four private debt collection firms are getting in on the action too. Congress approved letting the IRS farm out some collections back in 2015. Now the IRS is rolling 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.

Taxpayers with overdue taxes will *always* receive multiple contacts, letters and phone calls, first from the IRS, not from private debt collectors. The IRS will always notify a taxpayer before transferring their account to a private collection agency. 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, and giving 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.



No one likes scrutiny from IRS

Only four private collection agencies are participating:

- CBE Group of Cedar Falls, Iowa;
- Conserve of Fairport, N.Y.;
- Performant of Livermore, Calif.; and
- Pioneer of Horseheads, N.Y.

The taxpayer's account will only be assigned to one of these agencies, never to all four. No other private group is authorized to represent the IRS. Once the IRS letter is sent, the designated

private collector will send its own letter to the taxpayer and their representative confirming 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 be able to identify themselves as contractors of the IRS collecting taxes. Employees of these collection agencies must follow the provisions of the Fair Debt Collection Practices Act, and like IRS employees, must be courteous and must respect taxpayer rights. The private firms are authorized to discuss payment options, including setting up payment agreements with taxpayers. But as with cases assigned to IRS employees, any tax payment must be made, either electronically or by check, to the IRS.

A payment should never be sent to the private firm or anyone besides the IRS or the U.S. Treasury. Checks should only be made payable to the United States Treasury. Private firms are not authorized to take enforcement actions against taxpayers. Only IRS employees can take these actions, such as filing a notice of Federal Tax Lien or issuing a levy. To learn more about the new private debt collection program, visit the [Private Debt Collection](#) page on IRS.gov.

The IRS reminds taxpayers to be on the lookout for scammers *posing* as private collection firms. Remember, these private collection firms will only be calling about a tax debt the person has had – and has been aware of – for years and had been contacted about previously in the past by the IRS. If taxpayers are unsure if they have an unpaid tax debt from a previous year – which is what the private collection firms will handle – they can go to IRS.gov and check their account balance: www.irs.gov/balancedue. If the account balance says zero, nothing is due, so you shouldn't be getting a contact from the IRS or the private firm.

The IRS warns taxpayers to beware of scammers pretending to be from the IRS or an IRS contractor. Here are some things the scammers often do but the IRS and its contractors will never do:

- 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, and if a case is assigned to a PCA, both the IRS and the authorized collection agency will send the taxpayer a letter. Payment will always be to the United States Treasury.
- Threaten to immediately bring in local police or other law-enforcement groups to have the taxpayer arrested for not paying.
- Demand that taxes be paid without giving the taxpayer the opportunity to question or appeal the amount owed.
- Ask for credit or debit card numbers over the phone. For more information, visit the "[Tax Scams and Consumer Alerts](#)" page on IRS.gov.

The IRS encourages taxpayers behind on their tax obligations to come forward, and either pay what they owe or set up a suitable payment plan. This means there's no need to wait for a phone call or letter from the IRS or any of its contractors. Taxpayers may qualify for one of several payment options. For example, consider setting up a payment agreement with the IRS. Those who owe \$50,000 or less in combined tax, penalties and interest can use the [Online Payment Agreement](#) 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, there is no need to call, write or visit the IRS 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.

Some struggling taxpayers may qualify for an [offer-in-compromise](#). This is an agreement between a taxpayer and the IRS that settles the taxpayer's 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 IRS.gov.

Some tax bills *cannot* go to private collectors, if:

- 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.

If you have a large tax debt, you might also have trouble traveling, since the [IRS can move to revoke passports](#). If you owe more than \$50,000, consider [ways to keep IRS from taking your passport](#).

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.