Building a foundation of steel, skin, and brains

Don’t expect IRS to tabs on tax dollars

BY LAUREN E. ELLIS
Los Angeles Times

Once upon a time, the Internal Revenue Service proclaimed that its mission was to “collect the proper amount of tax revenue at the least cost, serve the public, and continually improving the quality of our products and services and perform in a manner warranting the highest degree of public confidence in our integrity, efficiency, and fairness.”

Today’s mission statement says nothing about cost containment or efficiency. Unless Congress in steps in to stop, the IRS is set to begin implementing a more efficient plan to collect tax returns on the face of past due taxes from people who owe $20,000 or less. IRS employees could collect those taxes for about $3 cents on the dollar, comparable to other federal programs’ collection costs. But Congress has not allowed the IRS, which is eliminating some of its most efficient enforcement staff, to pay the personnel it would need to do the job. Instead, the agency has signed contracts with privately held debt collectors allowing them to keep about 21 percent of every taxpayer dollar they retrieve. Employing these firms is almost eight times more expensive than relying on the IRS itself, but according to IRS Commissioner Mark Everson, it is in the Bush administration’s interest to reduce the size of government.

Over the 10 years, the companies hired are predicted to collect an estimated $14 billion, totaling $1.4 billion, $130 million of which the companies keep. According to the IRS’s own estimates, over those same 10 years, the IRS would collect $97 billion in unpaid taxes at a cost of just under $100 million— if allowed to pay the IRS employees who collected the private sector instead of augmenting the IRS’s already bloated list of delinquent taxpayers more than $85 billion in employee costs. If these numbers seem too big to fathom, think of it this way: If it is as you were given the choice of investing $1,300 to make $14,000, or committing $800 to make $7,000, and chose the investment with the higher price and lower return.

What’s on
Calvin Grondahl’s mind today?
Cal’s Blog at www.standard.net

The Buckner Company

Employee Benefit Division
3434 Washington Blvd
Suite 303
Ogden, UT 84401

801.866.0866 phone
877.366.0866 fax
801.866.0867 toll free
Bal@buckner.com

www.buckner.com

Don’t expect IRS to tabs on tax dollars