



IRS Collection & Enforcement

A Discussion of Private Debt Collection and
Passport Denial and Revocation

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Small Business/Self-Employed

Private Debt Collection



Section 32101 of the FAST Act requires the IRS to use private collection agencies for the collection of inactive, outstanding tax receivables

In December 2015, the President signed into law the Fixing America's Surface Transportation (FAST) Act





Private Debt Collection

- **Inactive Tax Receivables** are any outstanding assessments which the IRS includes in potentially collectible inventory if:
 - At any time after assessment, the IRS **removes such receivable from active inventory** for lack of resources or inability to locate the taxpayer,
 - More than 2 years has passed since assessment and such receivable **has not been assigned for collection** to any IRS employee, or
 - In the case of a receivable which has been assigned for collection, **more than 365 days have passed without interaction** with the taxpayer or a third party for purposes of furthering the collection of such receivable.



Private Debt Collection

- Certain accounts are excluded from assignment:
 - Deceased
 - Under the age of 18
 - In a designated combat zone
 - A victim of tax-related identity theft
 - Currently under examination, litigation, criminal investigation, or levy
 - Subject to pending or active offers in compromise
 - Subject to an installment agreement
 - Subject to a right of appeal
 - Classified as an innocent spouse case
 - In a presidentially declared disaster requesting relief from collection
 - After December 31, 2020
 - Accounts where substantially all income consists of disability insurance benefits or supplemental security benefits
 - Accounts where gross income does not exceed 200 percent of the applicable poverty level



Private Debt Collection

- Mandates that **private debt collectors** work responsibly & respect taxpayer rights
 - Taxpayers working with a PCA have the same rights as those working with the IRS
- IRS continues to educate taxpayers and practitioners to **be on the lookout for scammers**
- The majority of those with unpaid taxes will **continue to work directly with the IRS**
- Private debt collectors **can discuss payment options** - including setting up payment agreements - but cannot take enforcement actions such as liens or levies
- The IRS will continually work with private debt collectors to ensure the **safety and security of taxpayers**, and to ensure taxpayers are **treated with fairness and respect**



Private Debt Collection

- In April 2017, the IRS began assigning individual delinquent tax accounts to private collection agencies
- In June 2019, the IRS began assigning certain business tax accounts to private collection agencies
- From April 10, 2017 through September 12, 2019:
 - The IRS delivered over 2.4 million cases totaling over \$22 billion of balance due inventory
 - Private Debt Collection program collections continue to outpace program costs



Passport - Denials or Revocations

Section 32101 of the FAST Act **requires** the denial and **authorizes** the revocation or limitation of passports to individuals certified as having a seriously delinquent tax debt



A **seriously delinquent tax debt** is an unpaid, legally enforceable federal tax liability of an individual that is assessed, greater than \$53,000 and:

- For which a Notice of Federal Tax Lien (NFTL) has been filed, and the taxpayer's right to a hearing on the filing of the NFTL has been exhausted or lapsed, or
- A levy has been issued

Passport Denials or Revocations

- Seriously delinquent tax debt **does not** include:
 - Being timely paid under an **approved installment agreement**
 - Being timely paid under an **accepted offer in compromise**
 - Collection suspended because of a request for or **pending due process hearing** in connection with a levy
 - Collection suspended because the taxpayer made an **innocent spouse election or requested innocent spouse relief**
 - Individual is in a **combat zone**





Passport Denials or Revocations

- IRS sends letter advising taxpayer of certification
- The Department of State has the sole authority to issue, limit, deny or revoke a passport
- IRS may ask the Department of State to revoke passports of certified taxpayers
 - IRS sends letter advising taxpayer that it has asked the Department of State to revoke passport
- IRS notifies DOS within 30 days (or as soon as practicable) of reversal of seriously delinquent status
 - Expedited decertification for those with imminent travel plans or living abroad
 - Applies only to those with pending applications or renewals



Passport Denials or Revocations

- Taxpayers may bring a civil action against the United States in United States District Court or the United States Tax Court to determine
 - Whether the certification of a seriously delinquent tax debt is erroneous, or
 - The IRS failed to reverse the certification when required to do so
- As of November 20, 2019, 45 actions have been filed with the courts to review IRS passport actions
 - 24 of the cases have been dismissed by the courts as of November 20, 2019



Passport Denials or Revocations

- The IRS began certifying taxpayers as having seriously delinquent tax debt to the Department of State in **January 2018**
- Approximately **362K taxpayers** meet passport criteria
 - Almost **270K taxpayers** certified as of December 27, 2019
- As of December 27, 2019, the IRS:
 - Has **certified approximately 493K** taxpayers to date
 - Has reversed the certifications of approximately **172K taxpayers**
 - Has sent 67 taxpayers Letters 6152 (revocation letters)
 - Has posted approximately **\$1.84 billion in credits** to taxpayer accounts subsequent to issuance of the passport certification notice
 - \$1.13 billion of the \$1.84 billion has been posted to taxpayer accounts that are full paid