

## DEBT COLLECTION ACT OF 1981

DECEMBER 3 (legislative day, NOVEMBER 30), 1981.—Ordered to be printed

Mr. DOLE, from the Committee on Finance,  
submitted the following

### R E P O R T

[To accompany S. 1249]

The Committee on Finance, to which was referred the bill (S. 1249) to increase the efficiency of Government-wide efforts to collect debts owed the United States, to require the Office of Management and Budget to establish regulations for reporting on debts owed the United States, to provide additional procedures for the collection of debts owed the United States, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

The Finance Committee amendments are shown in the reported bill, with the matter proposed to be stricken shown in brackets and the matter proposed to be inserted shown in bold italic type.

#### BACKGROUND

S. 1249 was introduced, on May 21, 1981, by Senator Percy by request, for himself and others. The bill was referred solely to the Committee on Governmental Affairs. Since the bill contained several provisions within the jurisdiction of the Committee on Finance, on July 10, 1981, it was ordered that if and when reported from the Committee on Governmental Affairs, the bill would be sequentially referred to the Committee on Finance for consideration of matters under its jurisdiction. The Committee on Governmental Affairs amended the bill and, on July 17, 1981, ordered it reported with amendments and referred, pursuant to order of July 10, 1981, to the Committee on Finance for consideration of the provisions of the bill within its jurisdiction.

S. 1249 as amended and reported by the Committee on Governmental Affairs contained four provisions within the jurisdiction of the Committee on Finance. These provisions are: (1) use of social security

numbers (section 4); (2) disclosure of information by the Internal Revenue Service for purposes of screening potential debtors (section 7(a)); (3) disclosure of debtor identity information (section 7(b)); and (4) interest rate on tax refunds and deficiencies (section 8).

#### COMMITTEE ACTION

The Committee on Finance has reviewed the provisions of S. 1249 within its jurisdiction, and has adopted the following committee amendments to sections 7(b) and 8.

#### DISCLOSURE OF DEBTOR IDENTITY INFORMATION (SEC. 7(b))

On page 12 strike out lines 1 through 16 and insert the following:

#### DISCLOSURE TO AGENTS OF A FEDERAL AGENCY

SEC. 8. (a) Paragraph (2) of section 6103(m) of the Internal Revenue Code of 1954 (relating to disclosure of taxpayer identity information) is amended to read as follows:

(2) FEDERAL CLAIMS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the Secretary may, upon written request, disclose the mailing address of a taxpayer for use by officers, employees, or agents of a Federal agency for purposes of locating such taxpayer to collect or compromise a Federal claim against the taxpayer in accordance with section 3 of the Federal Claims Collection Act of 1966.

(B) SPECIAL RULE FOR CONSUMER REPORTING AGENCY.—In the case of an agent which is a consumer reporting agency (within the meaning of section 603(f) of the Fair Credit Reporting Act), the mailing address of a taxpayer may be disclosed to such agent under subparagraph (A) only for the purpose of allowing such agent to prepare a commercial credit report on the taxpayer for use by such Federal agency in accordance with section 3 of the Federal Claims Collection Act of 1966.”

(b) (1) Subsection (p) of section 6103 of such Code (relating to procedure and recordkeeping) is amended by adding at the end thereof the following new paragraph:

“(9) Safeguards of certain mailing addresses.—Any Federal agency shall, as a condition for receiving mailing addresses under subsection (m) (2)—

“(A) establish and maintain, to the satisfaction of the Office of Management and Budget, a permanent system of standardized records with respect to disclosures of such mailing addresses to its agents;

“(B) ensure, to the satisfaction of the Office of Management and Budget, that the mailing addresses are not incorporated in the general records of its agents or otherwise used by such agents for a purpose other than as provided by subsection (m) (2);

“(C) provide such other safeguards which the Office of Management and Budget determines to be necessary or appropriate to protect the confidentiality of mailing addresses disclosed to its agents;

“(D) furnish a report to the Office of Management and Budget after the close of each calendar year which describes the procedures established and utilized by such agency for ensuring the confidentiality of mailing addresses disclosed to its agents; and

“(E) upon completion of use of the mailing addresses, provide for the return of the mailing addresses (along with any copies thereof) to the Secretary or provide a method for making the mailing addresses incapable of being disclosed in any manner.”.

(2) Paragraph (5) of section 6103(p) of such Code is amended by striking out “required by this subsection” and inserting in lieu thereof “required by paragraphs (3) and (4) of this subsection”.

(c) (1) Section 7213(a) (2) of such Code (relating to unauthorized disclosure of information) is amended by striking out “or (m) (4)” and inserting in lieu thereof “or (m) (2) or (4)”.

(2) Paragraph (3) of section 6103(a) of such Code (relating to confidentiality and disclosure of returns and return information) is amended by striking out “(m) (4) (B)” and inserting in lieu thereof “(m) (2) or (4)”.

#### INTEREST RATE ON TAX REFUNDS AND DEFICIENCIES (SEC. 8)

On page 12 delete lines 17 through 25, and on page 13 delete lines 1 through 17.

### SUMMARY OF S. 1249 (DEBT COLLECTION ACT OF 1981)

#### A. NONTAX-RELATED PROVISIONS

##### 1. *Disclosure to consumer reporting agencies (sec. 3)*

The bill would allow Federal agencies to refer credit information on delinquent debtors to credit bureaus. Thus, delinquencies and defaults by debtors on their financial obligations to the Federal Government would be reflected in their credit records.

##### 2. *Salary offsets (sec. 5)*

The bill would permit the offset of a Federal employee's salary or other authorized compensation to satisfy debts owed to the Federal Government.

##### 3. *Protection of Federal debt collectors (sec. 6)*

The bill would make the homicide of a Federal debt collector a Federal criminal offense.

*4. Statute of limitations for Federal debt collection (sec. 9)*

In general, the bill would provide an open-ended statute of limitations in the case of Federal debt collection through the administrative offset of future payments.

*5. Interest and penalties on indebtedness to the United States (sec. 10)*

The bill would require the payment of interest on all debts owed to the Federal Government and would impose penalties on delinquent debtors.

*6. Service of summons (sec. 11)*

The bill would permit U.S. attorneys to use the mail, State and local law enforcement officials, or private contractors to serve legal documents in the litigation of cases involving Federal debt collection.

*7. Reports on agency debt collection activities (sec. 12)*

Federal agencies would be required to report to the Treasury, the Office of Management and Budget, and the Congress on their debt collection activities.

*8. Contracting for the collection of debts (sec. 13)*

The bill would provide specific authority for Federal agencies to contract with private collection agencies for purposes of debt collection (other than debts under the Internal Revenue Code).

#### B. TAX-RELATED PROVISIONS

*1. Use of social security numbers (sec. 4)*

The bill would require individuals who apply for Federal loans or any other type of financial assistance to furnish their social security numbers.

*2. Disclosing of information by the Internal Revenue Service for purposes of screening potential debtors (sec. 7a)*

The bill would permit the IRS to disclose to another Federal agency whether a Federal loan applicant has any outstanding tax liability.

*3. Disclosure of debtor identity information (sec. 8)*

The bill would permit the IRS to disclose mailing addresses to agents (i.e., private debt collection agencies), as well as to officers and employees of other Federal agencies for purposes of collecting Federal debts. In addition, the bill would permit the disclosure of IRS mailing addresses to credit bureaus but only for the purpose of obtaining a commercial credit report on the delinquent debtor.

*4. Interest rate on tax refunds and deficiencies (sec. 8)*

The bill would require that the interest rate on tax refunds and deficiencies be fixed with regard to 100 percent of the prime interest rate for the year. This rate would be adjusted on an annual basis whenever the prime rate is one percentage point above or below the prevailing prime rate.

#### GENERAL REASONS FOR THE BILL

The committee believes that improvements in the Federal Government's credit management and debt collection practices are needed.

Studies conducted by the General Accounting Office and by the Debt Collection Project of the Office of Management and Budget revealed that as of September 30, 1979, the Federal Government was owed a total of approximately \$175 billion, consisting of \$165 billion of debt reported to the Treasury plus \$10 billion of other debt. Of the total \$175 billion that was owed the Federal Government, approximately \$46.9 billion was due for repayment. It was estimated that over half the amount that was due for repayment, \$25.3 billion, was delinquent. In addition, it costs the Federal Government approximately \$3 billion annually in interest to carry these delinquent debts.

The committee believes that the problems which have given rise to this enormous amount of overdue debt are extensive and exist throughout the entire credit cycle—from the initial screening of debtors to ultimate collection. Testimony before the Finance Subcommittee on Oversight of the Internal Revenue Service revealed that one of the overriding problems is that the information systems that we have today cannot provide accurate and timely information on the amount of the debt owed, the amount due, and the condition of the debt in terms of delinquencies and defaults. The problems that the committee is addressing with S. 1249 are the screening of potential debtors and current Federal laws and regulations that inhibit the Government from taking advantage of cost efficient collection tools commonly used in the private sector.

## EXPLANATION OF THE TAX-RELATED PROVISIONS OF THE BILL

### A. USE OF SOCIAL SECURITY NUMBERS (SEC. 4)

#### *Present law*

An uncodified amendment to the Privacy Act of 1974, section 7 of P.L. 93-579, makes it unlawful for any Federal, State or local government agency to deny to any individual any right, benefit, or privilege provided by law because of such individual's refusal to disclose his social security number. However, the prohibition does not apply to any disclosure required by Federal statute, or to any agency maintaining a system of records in existence and operating before January 1, 1975, if disclosure was required under statute or regulation adopted prior to such date to verify the identity of an individual. In addition, any Federal agency which requests an individual's social security number must inform that individual whether such disclosure is mandatory or voluntary.

#### *Reasons for change*

Currently, most Federal agencies are prohibited from requiring social security numbers on credit applications. As a result, most agencies are severely hampered in their efforts to verify the identity of applicants) review their credit background for the amount of debt exposure and their general payment record. In addition, the absence of applicants' social security numbers, severely hampers agency efforts to trace and locate delinquent debtors. Agencies often have to resort to other more costly, less effective, and time-consuming means to accomplish these essential debt management functions. Furthermore, social security numbers are essential to agency access to Internal Revenue Service files under current law and effective credit bureau reporting.

The committee believes that requiring applicants to supply their social security numbers will not only assist the Government in improving its management of credit programs, but will also enhance due process and privacy protections afforded debtors because debtor identification and notification will be more effective.

#### *Explanation of provision*

Under the bill, Federal departments and agencies would require each individual who applies for credit, financial assistance, or any payment that may result in an indebtedness to the United States or any Federal agency to furnish his social security number. Any social security number obtained in this manner could be used only for purposes of verifying an applicant's identity in connection with credit management and debt collection purposes undertaken pursuant to the Federal Claims Collection Act of 1966 or other statutory authority.

### **B. DISCLOSURE OF INFORMATION BY THE INTERNAL REVENUE SERVICE FOR PURPOSES OF SCREENING POTENTIAL DEBTORS (SEC. 7 (a))**

#### *Present law*

Currently the Internal Revenue Service is prohibited from disclosing returns and return information<sup>1</sup> to Federal agencies for purposes of screening a potential loan applicant for outstanding tax liabilities. However, section 6103(c) of the Internal Revenue Code provides that returns and return information may be disclosed to any person with the taxpayer's consent, unless the Secretary determines that such disclosure would seriously impair Federal tax administration.

#### *Reasons for change*

The amount of delinquent taxes owed the Federal Government in fiscal year 1979 was approximately \$13 billion. In fiscal year 1979 the Federal Government was owed approximately \$6.5 billion in defaulted or delinquent loans. In view of the magnitude of these unpaid debts, the committee believes that it is in the best interest of the Federal Government and taxpayers, that lists of delinquent taxpayers and applicants for loans be cross-checked to help reduce future defaults on Government loans. The committee believes that the Federal Government should encourage loan applicants to pay delinquent taxes before receiving Government credit. In addition, the committee believes that it is poor credit management for the Government to unknowingly extend credit to individuals who have not paid their taxes.

#### *Explanation of provision*

Under the bill, the IRS would be permitted to disclose to another Federal agency whether a Federal loan applicant has any outstand-

<sup>1</sup> The term "return" is defined as any tax or information return, declaration of estimated tax, or claim for refund which is required (or permitted) to be filed on behalf of, or with respect to, any person. A return also includes any amendment, supplemental schedule, or attachment filed with the tax return, information return, etc.

"Return information" includes the following data pertaining to a taxpayer: his identity, the nature, source, or amount of his income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, overassessments, and tax payments. Also included in the definition of return information is any particular of any data, received by, recorded by, prepared by, furnished to, or collected by the IRS with respect to a return filed by the taxpayer or with respect to the determination of the existence, or possible existence, of liability for any tax, penalty, interest, fine, forfeiture, or other imposition, or offense provided for under the Code. A summary of data contained in a return and information concerning whether a taxpayer's return was, is being, or will be examined or subject to other investigation or processing also is return information. However, data in a form which cannot be associated with, or otherwise identify, directly or indirectly, a particular taxpayer is not return information.

ing tax liability, (or other liability under the Internal Revenue Code). This information could only be disclosed upon written request from the Federal agency, and is strictly limited to information for the purposes of, and to the extent necessary in, determining whether a loan applicant has outstanding tax liabilities. The committee believes that these restrictions are necessary to prohibit any return information from being disclosed which is not necessary in establishing whether a Federal loan applicant is or is not, delinquent in paying outstanding tax liabilities. Furthermore, this provision does not authorize the IRS to disclose any return information concerning the amount of indebtedness or other financial information. For purposes of this provision, a Federal loan would be a loan of money by, or guaranteed or insured by, the Federal Government or a Federal agency.

Information concerning outstanding liabilities that are in dispute could not be disclosed under this provision. In "dispute" would include, but not be limited to, any dispute which has been filed formally by an individual for consideration in an administrative or judicial proceeding.

The committee also believes that this provision should not make tax liabilities the only criteria for determining whether an individual is to receive Federal credit. It should be an inducement to encourage Federal loan applicants to settle tax liabilities before being granted Federal credit. Lending agencies are encouraged to use other means of determining the credit worthiness of Federal loan applicants, such as credit bureau reports, where such determinations are permitted. In addition, in cases where the enabling statute for a Federal credit program would permit such outstanding liabilities to be a determining factor in granting credit, this provision is not intended to inhibit the discretion of the agency in loaning Federal money, or insuring Federal loans.

#### DISCLOSURE OF DEBTOR IDENTITY INFORMATION (SEC. 8)

##### *Present law*

Section 6103 of the Internal Revenue Code governs the disclosure of returns and return information. In general, returns and return information<sup>2</sup> are confidential and may be disclosed only as specifically provided in the Code.

Present law permits the disclosure of return information by the Internal Revenue Service to other governmental agencies, for the purpose of assisting them with debt collection, in several circumstances. Upon written request, the IRS may disclose mailing addresses of taxpayers to other Federal agencies for their use in the collection or compromise of Federal claims against taxpayers under the Federal Claims Collection Act of 1966 (Code sec. 6103(m)(2)). These mailing addresses may be used only by officers and employees of an agency who are personally and directly engaged in the preparation of any administrative or judicial proceeding (or investigation) pertaining to the collection or compromise of a Federal claim. In addition, the IRS may disclose return information to State and local child support enforcement agencies for the purpose of, and to the extent necessary, in establishing and collecting child support obligations from and locating individuals owing such obligations (Code sec. 6103(1)(6)). Moreover,

<sup>2</sup> See footnote 1, p. 6.

the IRS may disclose to the Secretary of Education the mailing address of any taxpayer who has defaulted on a student loan, for use by officers, employees, or agents (that is, private debt collection agencies) of the Department of Education for purposes of locating the taxpayer to collect the loan (Code sec. 6103(m)(4)). These addresses may be disclosed further to lenders, to State or local nonprofit guarantee agencies, and to institutions of higher education.

The unauthorized disclosure of tax returns or return information is a felony punishable upon conviction by a fine of not more than \$5,000 or imprisonment of not more than 5 years, or both. Furthermore, a taxpayer may bring a civil action for damages against a person who knowingly or negligently discloses returns or return information in violation of the disclosure provisions.

### *Reasons for change*

The committee believes that the most efficient way for Federal agencies to collect delinquent debts is through credit bureaus and collection agencies. Federal agencies are not in the business of collecting delinquent debts and therefore, do not have the personnel or resources to collect delinquent debts efficiently. Thus, the committee believes that the least costly and most efficient way to collect delinquent Government debts is to allow Federal agencies to disclose sufficient information on delinquent Government debtors to private businesses, e.g., private debt collection agencies.

The committee also recognizes that allowing private debt collection agencies to collect delinquent Government debts will not be effective unless the private debt collection agencies are allowed to use the Government's current addresses on delinquent debtors. The Government's most recent and best addresses on delinquent debtors are the IRS mailing addresses. Therefore, the committee believes that, at this time, as taxes are being reduced for individuals and businesses, as Government spending is being reduced, as Government programs, such as student loans are being severely cut back, it is appropriate to take positive action to collect some of the billions of dollars owed the Federal Government by individuals and businesses who have borrowed from any of 358 Government long-term programs.

### *Explanation of provision*

Under the bill, the head of an agency or his designee could make a written request to the Secretary to provide IRS mailing addresses of taxpayers who are liable for a Federal claim, as is now routinely done under Code section 6103(m)(2). However, under this provision, the head of the agency requesting the IRS addresses would be permitted to disclose the IRS addresses to an "agent" of the agency which is directly involved in assisting the agency in collecting or compromising Federal claims. The information that can be disclosed by the agency to the agent is limited to the mailing address of the taxpayer (e.g., street and street number, town or city, and zip code).

For purposes of this bill, an agent of a Federal agency is an organization which is engaged directly in performing or assisting a Federal agency in collecting or compromising a Federal claim. An agent of the Government would include private debt collection agencies.



### *Committee amendment*

The committee believes that the bill, as reported by the Committee on Governmental Affairs, was unclear on whether a Federal agency could disclose IRS mailing addresses to consumer reporting agencies. Therefore, under the committee amendment, the mailing addresses can be disclosed to agents of the Government by Federal agencies under only two circumstances: (1) to private collection agencies which have contracted with a Federal agency to collect Federal claims; and (2) to consumer reporting agencies in cases where a Federal agency buys a credit report on a debtor. The committee amendment is not intended to permit Federal agencies to disclose mailing addresses when reporting debtor information to consumer reporting agencies under other sections of this bill. The use of these addresses is limited to what is necessary to compile and sell a credit report to the Federal agency in the case of consumer reporting agencies, and to locating the debtor for purposes of collecting or compromising Federal claims under the Federal Claims Collection Act of 1966 in the case of private debt collection agencies. Any other use or disclosure of these addresses by agents of the Government is prohibited and subjects the agent to the penalties provided in the Privacy Act of 1974, 5 U.S.C. 552a (g) and (i) and the Internal Revenue Code, sections 7213 and 7217.

Notwithstanding the penalties provided above for the unauthorized use or disclosure of mailing addresses, the committee believes that additional safeguards concerning the use of mailing addresses is necessary and appropriate in order to protect the confidentiality of returns and return information when being used by agents of the Government. Therefore, under the committee amendment, Federal agencies disclosing IRS mailing addresses to agents must: (1) establish and maintain a system of standardized records with respect to such disclosures; (2) insure that contracting agents keep the mailing address separate from the agents' general records which are used for other purposes; (3) provide other necessary safeguards to protect the confidentiality of mailing addresses; (4) furnish an annual report describing the procedures utilized to protect the confidentiality of the mailing addresses; and (5) provide for the return or destruction of the mailing addresses (and all copies) upon completion of use by the agents. In addition, the Office of Management and Budget has general responsibility to oversee the implementation and maintenance of such procedures by Federal agencies and agents.

The committee believes these amendments establish a necessary balance between the Federal Government's need to collect delinquent debts efficiently by disclosing IRS mailing addresses to agents (i.e., private collection agencies and consumer reporting agencies) and the Federal Government's obligation to taxpayers to protect the confidentiality and use of the IRS addresses disclosed to its agents.

#### INTEREST ON TAX REFUNDS AND DEFICIENCIES (FORMER SEC. 8)

### *Present law*

The Economic Recovery Tax Act of 1981, P.L. 97-34, allows the Secretary to set the interest rate on tax refunds and deficiencies an-

nually at 100 percent of the prime rate charged by banks during September of that year, and it is effective on February 1 of the immediately succeeding year. After 1982, adjustments will be effective on January 1 of the immediately succeeding year.

*Explanation of provision*

Under the bill, the interest rate on tax refunds and deficiencies would be set at 100 percent of the prime interest rate. The prime rate for any year would be based on the average of the predominant prime rate for each of the 12 months ending with the month of September, rounded to the nearest full percent. The interest rate could be adjusted on an annual basis whenever the prime interest rate is one percentage point above or below the prevailing prime interest rate.

*Committee amendment*

The committee amendment deletes this provision of the bill because the Economic Recovery Tax Act of 1981, P.L. 97-34, accomplishes the purpose intended by this provision of the bill.

EFFECTIVE DATE OF TAX PROVISIONS

The tax provisions of the bill would be effective upon enactment.

REVENUE EFFECT

It is estimated that the revenue effect of the tax-related provisions of the bill would be a net increase in budget receipts. The net increase in budget receipts of the tax-related provisions alone is too small to be estimated with accuracy, but it is expected to be minimal for fiscal years 1982-86.

The Congressional Budget Office advises that the tax-related and nontax-related provisions of the bill together would increase budget receipts by \$200 million in fiscal year 1982, \$400 million in fiscal years 1983 and 1984, and \$100 million in fiscal years 1985 and 1986.

COST OF CARRYING OUT THE BILL AND VOTE OF THE COMMITTEE IN REPORTING THE BILL

*Budget effects*

In compliance with paragraph 11 (a) of rule XXVI of the Standing Rules of the Senate, the following statement is made concerning the budget effects of S. 1249, as reported.

Inasmuch as the bill was before the Committee on Finance only for consideration of its tax-related provisions, the committee believes it appropriate to limit its discussion of budgetary effects to those aspects.

The bill would impact any Federal agency which has authority to loan money or guarantee or insure money loaned to an individual or business. Although the bill is expected to result in net savings to the Federal Government, the net savings associated with the tax-related provisions alone are expected to be minimal. Because of uncertainty related to potential Federal agency and Federal debtor response to the bill and deficiencies in available data, it is impossible to estimate the net savings to the Federal Government with any degree of certainty.

*Vote of the committee*

In compliance with paragraph 7(c) of rule XXVI of the Standing Rules of the Senate, the following statement is made relative to the vote by the committee on the motion to report the bill. S. 1249, as amended, was ordered favorably reported by a voice vote.

REGULATORY IMPACT OF THE BILL AND OTHER MATTERS TO BE DISCUSSED  
UNDER SENATE RULES

*Regulatory impact*

Pursuant to paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the committee makes the following statement concerning the regulatory impact that might be incurred in carrying out the provisions of this bill.

*A. Numbers of individuals and businesses who would be regulated.*—The tax-related provisions of the bill generally do not impose new or expanded regulation of individuals or businesses. There may be a negligible impact on private collection agencies who contract with Federal agencies to collect delinquent debts. There also may be a negligible impact on credit bureaus who contract with Federal agencies to supply credit reports on delinquent debtors.

*B. Economic impact of regulations on individuals, consumers and businesses.*—The tax-related provisions of the bill generally do not involve economic regulation of individuals, consumers or businesses. It is expected that the private collection agencies who contract with a Federal agency to collect delinquent debts would profit from the contract.

*C. Impact on personal privacy.*—The tax-related provisions of the bill would make certain minimal changes in provisions of the Federal law affecting the personal privacy of taxpayers.

The bill would require individuals who apply for Federal loans or any other type of financial assistance to furnish their social security number. Since most major Federal loan programs were established prior to the enactment of the Privacy Act, and are, therefore, authorized to require Federal loan applicants to provide their social security number, the impact of the bill on the personal privacy of individuals would be minimal. In addition, the social security numbers can only be used to locate and identify individuals for purposes directly relating to an individual's indebtedness to the Federal Government.

The bill would also permit officers and employees of Federal agencies to disclose addresses obtained from the Internal Revenue Service to agents (i.e., private collection agencies and credit bureaus) for purposes of collecting Federal debts. The agents can only use the addresses to locate delinquent Government debtors for purposes of collecting or compromising a Federal claim under the Federal Claims Collection Act of 1966 in the case of private debt collection agencies, and the agents can only use the addresses to compile and sell a credit report to the Federal agency in the case of credit bureaus. The agents are also required to return the addresses to the Federal agency or make them undisclosable once it has collected or compromised the Federal claim or sold the credit report to the Federal agency. Furthermore, the bill would permit limited access by officers of a Federal agency to taxpayer

returns and return information in order to determine whether or not a taxpayer has any outstanding tax liabilities. However, the restrictions on the use of IRS mailing addresses and the other safeguards to personal privacy included in the bill are expected to make the bill's impact on the personal privacy of taxpayers minimal.

*D. Determination of the amount of paperwork.*—The tax-related provisions of the bill do not impose additional paperwork requirements on credit bureaus, private collection agencies, or individuals who seek credit or other forms of financial assistance from the Federal Government. There would be a marginal increase in the paperwork of Federal agencies relating to the request of addresses and returns and return information from the Internal Revenue Service. It is expected that the procedures that an agency must presently follow in requesting mailing addresses from the IRS can be modified to include the release of certain tax information. Federal agencies also would be required to establish procedures to insure the confidentiality of the addresses and to report to the Office of Management and Budget on an annual basis concerning those procedures. However, the safeguards to personal privacy included in the bill, along with the annual report to OMB, are not expected to substantially increase the paperwork of Federal agencies involved in debt collection.

#### CONSULTATION WITH CONGRESSIONAL BUDGET OFFICE ON BUDGET ESTIMATES

In accordance with section 403 of the Budget Act, the committee advises that the budget estimates provided by the Director of the Congressional Budget Office are consistent with the statements made by the committee on the revenue effect of the tax-related provisions of the bill.

The views of the Congressional Budget Office with respect to the revenue estimates of the tax-related and nontax-related provisions of S. 1219 are expressed in the letters that follow:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, D.C., November 18, 1981.*

HON. ROBERT DOLE,  
*Chairman, Committee on Finance,  
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for S. 1249, the Debt Collection Act of 1981.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

ALICE M. RIVLIN, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: S. 1249.
2. Bill title: Debt Collection Act of 1981.

NOVEMBER 18, 1981.

3. Bill status: As ordered reported by the Senate Committee on Finance, September 15, 1981.

4. Bill purpose: The purpose of this bill is to improve the federal government's efficiency and effectiveness in its debt collection activities. If enacted, S. 1249 would permit disclosure to commercial credit bureaus of information concerning delinquent and defaulted debts owed to the federal government. The government would also be authorized to utilize the services of private collection agencies in its debt collection activities. The bill would require individuals applying for credit with the federal government to furnish their social security numbers. Offsets would be permitted against the wages of federal employees indebted to the government, and the murder of federal debt collectors would be made a federal criminal offense. The bill would require the assessment of penalty charges on most delinquent debt owed to the federal government and it would permit U.S. Attorneys to use the mail, state and local law enforcement personnel, or private contractors to serve legal documents required for litigation of federal debt collection.

5. Cost estimate:

Estimated costs:

Fiscal year:	<i>Billions</i>
1982 -----	\$0.1
1983 -----	.2
1984 -----	.2
1985 -----	.1
1986 -----	.1

Estimated collections:

Fiscal year:	
1982 -----	-.3
1983 -----	-.6
1984 -----	-.6
1985 -----	-.2
1986 -----	-.2

Net budget impact (outlays):

Fiscal year:	
1982 -----	-.2
1983 -----	-.4
1984 -----	-.4
1985 -----	-.1
1986 -----	-.1

6. Basis of estimate: It is expected that net savings to the federal government are likely to result from enactment of this bill. Increased administrative costs associated with the bill's implementation probably would be more than offset by increased recoveries. Preparation of a cost estimate for this bill is difficult, however, because of uncertainty related to potential agency and debtor response to the bill and deficiencies in available data. In the absence of reliable information, CBO has developed a series of assumptions upon which to base the estimated budget impact shown above. The results thus obtained are within a wide range that could follow from enactment of the bill. Most of the information relating to current delinquency levels used in preparation of this cost estimate was obtained from the Office of Management and Budget's debt collection project, and reflects actual debt and delinquency data as of September 30, 1979.

The most significant budgetary impact would result from the provisions of Section 13 of the bill. Section 13 would permit some federal agencies to contract with private collection agencies for collection services. This provision would result in accelerated collection of some delinquent debt and would enable the government to make some collections that would not otherwise be made. Seventy percent of all delinquent domestic debts owed to the government are owed to the Internal Revenue Service (IRS), the Veterans' Administration (VA), and the Department of Education. Because the bill would not authorize the IRS to contract out its collection efforts and since the VA and the Department of Education already have that authority, debts owed to those agencies have not been included in estimating the potential budget impact of Section 13 of this bill.

According to the debt collection project, \$6.5 billion in domestic delinquent debt is owed to federal agencies with debt collection procedures affected by the bill. This cost estimate assumes that federal agencies would concentrate their collection efforts on serious delinquencies—in this case debt 90 days or more in arrears. At the end of fiscal year 1979, debt delinquent for at least 90 days was estimated at \$5.7 billion. Much of this debt, \$3.3 billion, is considered uncollectable by the affected agencies using current collection procedures. By applying private collection agency recovery rates of 22 percent for debts owed to financial institutions to the estimated \$3.3 billion in uncollectable debt, it is estimated that \$0.7 billion in otherwise uncollectable debt would be collected by private agencies over three years. It is also assumed that the repayment of an additional \$0.4 billion of debt could be accelerated by the means provided in the bill. Thus, of the \$5.7 billion of outstanding debt at least 90 days delinquent, about \$1.1 billion would be collected by private collection agencies over a three-year period. The average commission for these recoveries is estimated to be 45 percent (\$0.45 billion), based on the industry's current commission rates. The commission cost incurred would be in addition to agency expenses for remaining debt collection activities. The net budget impact of this provision, after collections of current delinquent receivables are completed, is estimated to be savings of \$0.7 billion over three years, plus the cost of government collections efforts that no longer will be necessary because of contracting with private collectors.

These estimates are for debt that is currently delinquent and collected between fiscal years 1982 and 1984. Additional savings would be achieved in fiscal years 1983 through 1986 because of more efficient collection of debt extended in those years. These collections would result in savings of approximately \$50 million in fiscal year 1983, \$90 million in fiscal year 1984, and \$120 million each year in fiscal years 1985 and 1986, plus the cost of current government collections efforts that would no longer be necessary. To calculate the amount of new delinquent debt that would be affected by this bill in fiscal years 1983 through 1986 CBO has assumed that 50 percent of current 90-day delinquent debt became delinquent within the past year. This assumption, and the assumption that there will be a constant level of new delinquent debt have been used in calculating the potential five-year impact of this bill. If federal credit programs are reduced significantly, or if enactment of this section leads to a lower level of delinquencies, the budgetary effects of this bill would be reduced in later years.

Section 5 of S. 1249 would permit the garnishment of the wages, retirement pay, or other compensation due to any federal employee who owes delinquent debt to the government. A computer match of Office of Personnel Management (OPM) files against VA records identified 66,000 federal employees with delinquent debt owed to the VA. This debt amounted to \$37 million. It is likely that the portion of VA indebtedness owed by federal employees is more significant than debts owed to other federal agencies by employees. Computer matches have also been conducted with Department of Education debt records (and the Office of Education at the Department of Health, Education, and Welfare prior to the establishment of the Department of Education). However, these matches are more dated and revealed that a much less significant portion of its debt was owed by federal employees. Because the available evidence indicates that the VA debt makes up most of the debt in this category, CBO's cost estimate assumes that the amount of debt subject to the provisions of Section 5 is approximately \$40 million. CBO has also assumed that approximately \$10 million, that would not otherwise be collectable would be collected over two years by salary offset from federal employees. To estimate potential collections under this section CBO applied the ratio between VA's estimate of uncollectable VA debt and VA 90-day delinquencies to the \$40 million base. Administrative costs of collection would be \$30,000 over two years, based on information provided by OPM about the cost of making automatic deductions from payroll checks. Additional savings would be expected from this provision because collection of delinquent debt through administrative offset is less expensive than other collection practices.

Section 7 of the bill would permit the Secretary of the Treasury to disclose to officers and employees of other federal agencies whether an applicant for a federal loan has any outstanding tax or other liability under the Internal Revenue Code of 1954. Section 8 would permit the disclosure of taxpayer addresses by the IRS for purposes of collecting federal claims against the taxpayer. Safeguards to protect the confidentiality of mailing addresses disclosed by the IRS are also provided for in this section. Over time these provisions would be expected to reduce delinquent and bad debt by providing federal lending officers with better information upon which to base loan decisions and with which to locate debtors.

Several other provisions of the bill would improve efficiency of debt management and collections activities and would be expected to reduce costs and increase collections. Section 9 would specify that the statute of limitations of Federal debt collection is not applicable to collections by administrative offsets. This provision would be expected to reduce the portion of debts written off as uncollectable. Section 10 would revise procedures for interest calculations and require the assessment of other penalties on debt more than 90 days delinquent, unless specific statutes, regulations or contract provisions prohibit such charges. Section 11 of the Federal Debt Collection Act of 1981 would amend the Federal Claims Collection Act of 1966 to permit U.S. Attorneys to use the mail, State and local law enforcement personnel, or private contractors to serve legal documents required for litigation of Federal debt collection.

Federal agencies would be required to improve their record-keeping and reporting activities under the provisions of Section 12 of the bill. The Office of Management and Budget would also be required to report to the Secretary of the Treasury and the Congress each year on the status of agency loans, accounts receivable and debt collection activities. Since similar provisions have already been established administratively, enactment of this section would not be expected to have any additional significant budget impact.

7. Estimate comparison: None.

8. Previous CBO estimate: The CBO has also prepared a cost estimate on S. 1249, as ordered reported by the Senate Committee on Governmental Affairs, July 17, 1981. Estimated collections are identical in both estimates but costs are estimated to be slightly higher in the Finance Committee version of the bill because of higher commission costs. The commission rate difference is because Finance Committee amendments to S. 1249 place certain restrictions on the use of federally supplied information by collection agencies. Collection agencies would be expected to charge higher commissions under the more restrictive provisions.

9. Estimate prepared by: Judy Walker.

10. Estimate approved by:

C. G. NUCKOLS  
(For James L. Blum,  
Assistant Director for Budget Analysis).

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, D.C., December 1, 1981.*

HON. ROBERT DOLE,  
*Chairman, Committee on Finance,  
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: At the request of the Committee staff, I am pleased to provide further details on the CBO cost estimate for S. 1249, the Debt Collection Act of 1981, which was transmitted to the Senate Committee on Finance on November 18, 1981.

Section 8 of the CBO cost estimate notes that the estimated costs of S. 1249 as ordered by the Committee on Finance are slightly higher than those for the version reported by the Senate Committee on Governmental Affairs.

The difference stems from expected higher commission costs for the Finance Committee bill, because of certain restrictions the bill places on the use of federally supplied information by collection agencies. Because these additional costs are estimated to be less than \$30 million in each year, and total less than \$100 million over the five-year estimating period, they are not reflected in the cost estimate tables, which are rounded to the tenths of billions.

Sincerely,

ALICE M. RIVLIN,  
*Director.*

#### CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the changes in existing law made by the Finance



Committee provisions of the bill as reported are shown below (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman) :

INTERNAL REVENUE CODE

\* \* \* \* \*

Subtitle F—Procedure and Administration

\* \* \* \* \*

CHAPTER 61—INFORMATION AND RETURNS

\* \* \* \* \*

Subchapter B—Miscellaneous Provisions

\* \* \* \* \*

SEC. 6103. CONFIDENTIALITY AND DISCLOSURE OF RETURNS AND RETURN INFORMATION.

(a) **GENERAL RULE.**—Returns and return information shall be confidential, and except as authorized by this title—

(1) no officer or employee of the United States,

(2) no officer or employee of any State or of any local child support enforcement agency who has or had access to returns or return information under this section, and

(3) no other person (or officer or employee thereof) who has or had access to returns or return information under subsection (e)

(1) (D) (iii), subsection (n) (2) or (m) (4) (B), or subsection (n),

shall disclose any return or return information obtained by him in any manner in connection with his service as such an officer or an employee or otherwise or under the provisions of this section. For purposes of this subsection, the term “officer or employee” includes a former officer or employee.

\* \* \* \* \*

(1) **DISCLOSURE OF RETURNS AND RETURN INFORMATION FOR PURPOSES OTHER THAN TAX ADMINISTRATION.**— \* \* \*

[(3) **DISCLOSURE OF RETURNS AND RETURN INFORMATION TO PRIVACY PROTECTION STUDY COMMISSION.**—The Secretary may, upon written request, disclose returns and return information to the Privacy Protection Study Commission, or to such members, officers, or employees of such commission as may be named in such written request, to the extent provided under section 5 of the Privacy Act of 1974.]

(3) **DISCLOSURE OF CERTAIN RETURN INFORMATION TO FEDERAL LENDING AGENCIES.**—

(A) **IN GENERAL.**—*Upon written request, the Secretary may disclose to officers and employees of a Federal agency whether a Federal loan applicant has an outstanding liability for any tax, penalty, interest, fine, forfeiture, or other imposition under this title.*

(B) **RESTRICTION ON DISCLOSURE.**—*The Secretary shall disclose*

information under subparagraph (A) only for purposes of, and to the extent necessary in, determining whether an applicant for a Federal loan has outstanding liabilities. Information regarding outstanding liabilities which are in dispute shall not be disclosed under subparagraph (A).

(C) *FEDERAL LOAN.*—For purposes of this paragraph, the term “Federal loan” means a loan of money by, or guaranteed or insured by, the Federal Government or Federal agency to which a disclosure is authorized under this paragraph.

(m) **DISCLOSURE OF TAXPAYER IDENTITY INFORMATION.**—

(1) **TAX REFUNDS.** The Secretary may disclose taxpayer identity information to the press and other media for purposes of notifying persons entitled to tax refunds when the Secretary, after reasonable effort and lapse of time, has been unable to locate such persons.

[(2) **FEDERAL CLAIMS.** Upon written request, the Secretary may disclose the mailing address of a taxpayer to officers and employees of an agency personally and directly engaged in, and solely for their use in, preparation for any administrative or judicial proceeding (or investigation which may result in such a proceeding) pertaining to the collection or compromise of a Federal claim against such taxpayer in accordance with the provisions of section 3 of the Federal Claims Collection Act of 1966.]

(2) *FEDERAL CLAIMS.*—

(A) *IN GENERAL.*—Except as provided in subparagraph (B), the Secretary may, upon written request, disclose the mailing address of a taxpayer for use by officers, employees, or agents of a Federal agency for purposes of locating such taxpayer to collect or compromise a Federal claim against the taxpayer in accordance with section 3 of the Federal Claims Collection Act of 1966.

(B) *SPECIAL RULE FOR CONSUMER REPORTING AGENCY.*—In the case of an agent which is a consumer reporting agency (within the meaning of section 603(f) of the Fair Credit Reporting Act), the mailing address of a taxpayer may be disclosed to such agent under subparagraph (A) only for the purpose of allowing such agent to prepare a commercial credit report on the taxpayer for use by such Federal agency in accordance with section 3 of the Federal Claims Collection Act of 1966.

\* \* \* \* \*  
(p) **PROCEDURE AND RECORDKEEPING.**—

\* \* \* \* \*

(3) **RECORDS OF INSPECTION AND DISCLOSURE.**—

\* \* \* \* \*

(C) **PUBLIC REPORT ON DISCLOSURES.**—The Secretary shall, within 90 days after the close of each calendar year, furnish to the Joint Committee on Taxation for disclosure to the public a report with respect to the records or accountings described in subparagraph (A) which—

(i) provides with respect to each Federal agency, each agency, body, or commission described in subsection (d) or (1) [(3) or] (6), and the General Accounting Office the number of—

(I) requests for disclosure of returns and return information,

(II) instances in which returns and return information were disclosed pursuant to such requests,

(III) taxpayers whose returns, or return information with respect to whom, were disclosed pursuant to such requests, and

(ii) describes the general purposes for which such requests were made.

(4) SAFEGUARDS.—Any Federal agency described in subsection (h) (2), (i) (1), (2) or (5), (j) (1) or (2), (l) (1), (2), or (5), or (o) (1), the General Accounting Office, or any agency, body, or commission described in subsection (d) or [(1) (3), (6), or (7) [ , or (8) ]] (l) (6), (7), or (8) shall, as a condition for receiving returns or return information—\* \* \*

(F) upon completion of use of such returns or return information—

(i) in the case of an agency, body, or commission described in subsection (d) or (l) (6) or (7) [or 8], return to the Secretary such returns or return information (along with any copies made therefrom) or make such returns or return information undisclosable in any manner and furnish a written report to the Secretary describing such manner; and

(ii) in the case of an agency described in subsections (h) (2), (i) (1), (2), or (5), (j) (1) or (2), (l) (1), (2), (3), or (5), or (o) (1), [the commission described in subsection (l) (3)] or the General Accounting Office, either—\* \* \*

(5) REPORT ON PROCEDURES AND SAFEGUARDS.—After the close of each calendar quarter, the Secretary shall furnish to each committee described in subsection (f) (1) a report which describes the procedures and safeguards established and utilized by such agencies, bodies, or commissions and the General Accounting Office for ensuring the confidentiality of returns and return information as required by *paragraphs (3) and (4) of this subsection*. Such report shall also describe instances of deficiencies in, and failure to establish or utilize, such procedures.

\* \* \* \* \*

(9) SAFEGUARDS OF CERTAIN MAILING ADDRESSES.—Any Federal agency shall, as a condition for receiving mailing addresses under subsection (m) (2)—

(A) establish and maintain, to the satisfaction of the Office of Management and Budget, a permanent system of standardized records with respect to disclosures of such mailing addresses to its agents;

(B) ensure, to the satisfaction of the Office of Management and Budget, that the mailing addresses are not incorporated in the general records of its agents or otherwise used by such agents for a purpose other than as provided by subsection (m) (2);

(C) provide such other safeguards which the Office of Management and Budget determines to be necessary or appropriate to protect the confidentiality of mailing addresses disclosed to its agents;

(D) furnish a report to the Office of Management and Budget after the close of each calendar year which describes the procedures established and utilized by such agency for ensuring the confidentiality of mailing addresses disclosed to its agents; and

(E) upon completion of use of the mailing addresses, provide for the return of the mailing addresses (along with any copies thereof) to the Secretary or provide a method for making the mailing addresses incapable of being disclosed in any manner.

\* \* \* \* \*

## CHAPTER 75—CRIMES, OTHER OFFENSES, AND FORFEITURES

### Subchapter A—Crimes

#### PART I—GENERAL PROVISIONS

#### SEC. 7213. UNAUTHORIZED DISCLOSURE OF INFORMATION.

##### (a) RETURNS AND RETURN INFORMATION.—

(1) **FEDERAL EMPLOYEES AND OTHER PERSONS.**—It shall be unlawful for any officer or employee of the United States or any person described in section 6103(n) (or an officer or employee of any such person), or any former officer or employee, willfully to disclose to any person, except as authorized in this title, any return or return information (as defined in section 6103(b)). Any violation of this paragraph shall be a felony punishable upon conviction by a fine in any amount not exceeding \$5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution, and if such offense is committed by any officer or employee of the United States, he shall, in addition to any other punishment, be dismissed from office or discharged from employment upon conviction for such offense.

(2) **STATE AND OTHER EMPLOYEES.**—It shall be unlawful for any person (not described in paragraph (1)) willfully to disclose to any person, except as authorized in this title, any return or return information (as defined in section 6103(b)) acquired by him or another person under subsection (d), (1)(6) or (7) [or 8], or [(m)(4)] m (2) or (4) of section 6103. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding \$5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution.

(3) **OTHER PERSONS.**—It shall be unlawful for any person to whom any return or return information (as defined in section 6103(b)) is disclosed in a manner unauthorized by this title thereafter willfully to print or publish in any manner not provided by law any such return or return information. Any violation of this

paragraph shall be a felony punishable by a fine in any amount not exceeding \$5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution.

(4) SOLICITATION.—It shall be unlawful for any person willfully to offer any item of material value in exchange for any return or return information (as defined in section 6103(b)) and to receive as a result of such solicitation any such return or return information. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding \$5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution.

(5) SHAREHOLDERS.—It shall be unlawful for any person to whom a return or return information (as defined in section 6103(b)) is disclosed pursuant to the provisions of section 6103(e)(1)(D)(iii) willfully to disclose such return or return information in any manner not provided by law. Any violation of this paragraph shall be a felony punishable by a fine in any amount not to exceed \$5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution.

\* \* \* \* \*

