

[JOINT COMMITTEE PRINT]

**DESCRIPTION OF H.R. 4613  
AND OTHER PROPOSALS**  
RELATING TO  
**FEDERAL DEBT COLLECTION PROCEDURES**  
SCHEDULED FOR A HEARING  
BEFORE THE  
COMMITTEE ON WAYS AND MEANS  
ON OCTOBER 15, 1981

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PREPARED FOR THE USE OF THE  
COMMITTEE ON WAYS AND MEANS  
BY THE STAFF OF THE  
JOINT COMMITTEE ON TAXATION



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## CONTENTS

	Page
Introduction.....	1
I. Background.....	2
II. Summary of H.R. 4613 (Mr. Conable).....	3
III. Description of H.R. 4613.....	5
A. Present law.....	5
1. Use of social security numbers.....	5
2. Screening potential debtors.....	5
3. Disclosure to agents of a Federal agency..	5
B. Description of the Bill.....	7
1. Use of social security numbers.....	7
2. Screening potential debtors.....	7
3. Disclosure to agents of a Federal agency..	7
IV. Issues Raised by H.R. 4613.....	9
V. Other Legislation Relating to Federal Debt Collection..	10
A. H.R. 2811 (Mr. Brooks).....	10
1. Amendments to the Privacy Act.....	10
2. Disclosure to a consumer reporting agency..	10
3. Disclosure to a Federal lending agency....	11
4. Budget information on agency debt collec-	
tion activities.....	11
5. Reviews of debt programs by Inspectors	
General.....	12
B. H.R. 3741 (Mr. Danielson).....	13
1. Amendments to Privacy Act.....	13
2. Disclosure to a consumer reporting agency..	13
3. Use of social security numbers.....	13
4. Salary offsets.....	14
5. Protection of Federal debt collectors.....	14
6. Screening potential debtors.....	14
7. Disclosure to agents of a Federal agency..	14
8. Interest rate on tax refunds and defi-	
ciencies.....	15
9. Statute of limitations for debt collection	
actions brought by the United States..	15
10. Interest and penalties on indebtedness	
owed to the United States.....	15
11. Service of summons.....	15
12. Report on debt collection activities.....	16
C. H.R. 4614 (Messrs. Danielson, Moorhead, and	
McClory).....	17
1. Protection of Federal debt collectors.....	17
2. Statute of limitations for debt collection	
actions brought by the United States..	17
3. Interest and penalties on indebtedness	
owed to the United States.....	17
4. Service of summons.....	18
5. Contracting for collection of debts.....	18





## INTRODUCTION

The Ways and Means Committee has scheduled a hearing on October 15, 1981, on S. 4613 (introduced by Mr. Conable) and similar legislative proposals relating to Federal debt collection procedures. The provisions of S. 4613 would: (1) require applicants for Federal loans or financial assistance to provide their social security numbers with their applications; (2) allow the Internal Revenue Service to disclose to other Federal agencies whether a Federal loan applicant has any outstanding tax liabilities, and (3) allow the IRS to disclose individuals' mailing addresses to agents of Federal agencies for purposes of debt collection. Other House bills relating to debt collection include H.R. 2811 (introduced by Mr. Brooks, and which passed the House on May 18, 1981), H.R. 3741 (introduced by Mr. Danielson), and H.R. 4614 (introduced by Messrs. Danielson, Moorhead, and McClory).

This pamphlet, prepared in connection with the hearing, contains five parts. The first part provides background on current status of the various House and Senate debt collection legislative proposals. The second part is a summary of present law and the provisions of H.R. 4613. The third part provides a more complete description of present law and H.R. 4613. Part four is a brief discussion of issues raised by H.R. 4613. Part five provides a description of other House legislation dealing with Federal debt collection (*i.e.*, H.R. 2811, H.R. 3741, and H.R. 4614).

## I. BACKGROUND

On May 18, 1981, the House passed H.R. 2811. That bill, which is intended to increase the efficiency of Government-wide efforts to collect debts owed to the United States, is described in Part V of this pamphlet.

In the Senate, S. 1249 was reported, with amendments, by the Committee on Governmental Affairs on July 17, 1981. The tax-related provisions in the bill were ordered reported, with amendments, by the Committee on Finance on September 15, 1981. The tax-related provisions of S. 1249 are identical to the provisions of H.R. 4613. S. 1249 also contains provisions similar to those contained in H.R. 2811, H.R. 3741 (referred to the Committees on Government Operations, Post Office and Civil Service, the Judiciary, and Ways and Means), and H.R. 4614 (referred to the Committee on the Judiciary).<sup>1</sup>

<sup>1</sup>The House bills are described in part V, below. S. 1249, prior to its consideration by the Finance Committee, is described in the Joint Committee hearing pamphlet, JCS-34-81, dated July 17, 1981.

## II. SUMMARY OF H.R. 4613

### A. Present Law

#### 1. Use of social security numbers

In general, under present law, individuals who apply for Federal assistance are not required to furnish their social security numbers.

#### 2. Screening potential debtors

Section 6103 of the Internal Revenue Code governs the disclosure of returns and return information. Included within the definition of return information is the amount of an individual's tax liability. Under present law, the fact of whether an individual has an outstanding tax liability, or the amount thereof, generally may not be disclosed without the taxpayer's consent.

#### 3. Disclosure to agents of a Federal agency

Under present law, the Internal Revenue Service may disclose taxpayers' mailing addresses to officers and employees of Federal agencies for their use in collecting Federal debts. However, those addresses generally may not be disclosed to the agents (*e.g.*, private debt collection agencies or consumer reporting agencies) of those Federal agencies. Unauthorized disclosure of tax returns or return information is punishable by a fine of up to \$5,000 or imprisonment of up to 5 years, or both. Furthermore, wrongful disclosure may give rise to a civil action for damages.

## **B. Summary of the Bill**

### **1. Use of social security numbers**

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. The number could be used only for verifying the applicant's identity.

### **2. Screening potential debtors**

Under the bill, the IRS would be permitted to disclose to another Federal agency whether a Federal loan applicant has any outstanding tax or other liability under the Internal Revenue Code. Information concerning any liabilities in dispute could not be disclosed.

### **3. Disclosure to agents of a Federal agency**

Under the bill, the IRS would be permitted to disclose mailing addresses of taxpayers to agents (for example, private debt collectors), as well as to officers and employees, of other Federal agencies for their use in locating taxpayers for the purpose of collecting or compromising Federal claims against taxpayers.

### III. DESCRIPTION OF H.R. 4613

#### A. Present Law

##### 1. Use of social security numbers

Present law generally does not require Federal agencies to require that individuals who apply for Federal assistance furnish their social security numbers. Thus, for example, an individual may receive a Federal loan without disclosing his social security number.

##### 2. Screening potential debtors

Section 6103 of the Internal Revenue Code governs the disclosure of returns and return information. In general, returns and return information are confidential and may be disclosed only as specifically provided in the Code.<sup>1</sup>

Since an individual's tax liability is considered, under present law, to be tax information, the Internal Revenue Service generally may not disclose to another Federal agency whether an individual has a tax liability, or the amount thereof.

##### 3. Disclosure to agents of a Federal agency

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)).<sup>2</sup> These mailing ad-

<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.

<sup>2</sup> The Federal Claims Collection Act of 1966 generally provides that a Federal agency must attempt the collection of all claims of the United States for money or property arising out of the activities of, or referred to, the agency (31 U.S.C. secs. 951-953).

That Act provides for the compromise, or termination or suspension of certain claims if it appears that no person liable on the claim has the present or prospective financial ability to pay any significant sum on the claim or that the cost

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(l)(6)). Moreover, 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 collectors) 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.

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of collecting the claim is likely to exceed the amount of the recovery. Compromise or termination of collection generally is permitted if a claim has not been referred to another agency for collection and if the claim does not exceed \$20,000.

## **B. Description of the Bill**

### **1. Use of social security numbers**

Under the bill, departments and agencies of the Federal Government 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 agency thereof) to furnish his or her social security number. A social security number obtained in this manner could be used only for verification of the individual 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.

### **2. Screening potential debtors**

The bill would permit the IRS, upon written request, to disclose to officers and employees of a Federal agency whether a Federal loan applicant has an outstanding liability for any tax, penalty, interest, fine, or other imposition under the Internal Revenue Code. This information could be disclosed only for purposes of, and to the extent necessary in, determining whether an applicant for a Federal loan has outstanding liabilities. Any information with regard to outstanding liabilities that are in dispute could not be disclosed.

For purposes of this provision, a Federal loan would be a loan of money by the Federal Government or a Federal agency, or a loan which is guaranteed by, or insured by, the Federal Government or a Federal agency.

### **3. Disclosure to agents of a Federal agency**

Under the bill, the IRS would be permitted to disclose mailing addresses of taxpayers to agents, as well as to officers and employees, of other Federal agencies for their use in locating taxpayers for the purpose of collecting or compromising Federal claims against taxpayers under the Federal Claims Collection Act of 1966. Such disclosures could be made upon written request.

The unauthorized redisclosure by an agent (*e.g.*, a private debt collection agency or a consumer reporting agency) of information received under this provision would be a felony punishable upon conviction by a fine of not more than \$5,000 or imprisonment of not more than 5 years, or both.

A special restriction would apply in the case of any disclosure to an agent that is a consumer reporting agency within the meaning of section 603(f) of the Fair Credit Reporting Act.<sup>3</sup> The IRS could disclose

<sup>3</sup> The Fair Credit Reporting Act defines a consumer reporting agency as any person which, for monetary fees, dues, or on a cooperative nonprofit basis, regularly engages in whole or in part in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties, and which uses any means or facility of interstate commerce for the purpose of preparing or furnishing consumer reports (14 U.S.C. Sec. 1681a(f)).

the mailing address of a taxpayer to such an agent only for the purpose of allowing the agent to prepare a commercial credit report on the taxpayer for use by a Federal agency in accordance with the provisions of the Federal Claims Collection Act of 1966.

In order to receive mailing addresses of taxpayers from the IRS, Federal agencies would have to comply with several safeguard requirements. Specifically, a Federal agency would be required to:

- (1) Establish and maintain, to the satisfaction of the Office of Management and Budget, a permanent system of standardized records with respect to disclosures of IRS mailing addresses to its agents;
- (2) Ensure, to the satisfaction of the Office of Management and Budget, that IRS mailing addresses are not incorporated in the general records of its agents or otherwise used by its agents for unauthorized purposes;
- (3) Provide such other safeguards that the Office of Management and Budget determines to be necessary or appropriate to protect the confidentiality of IRS mailing addresses disclosed to its agents;
- (4) Furnish a report to the Office of Management and Budget, after the close of each calendar year, that describes the procedures established and utilized by the agency for ensuring the confidentiality of IRS mailing addresses disclosed to its agents; and
- (5) Upon completion of use of the mailing addresses, provide for their return to the IRS (along with any copies thereof) or provide a method for making the addresses incapable of being disclosed in any manner.



#### IV. ISSUES RAISED BY H.R. 4613

The bill raises several issues. Primarily, these issues relate to the extent to which the IRS should be permitted to disclose tax information on individual taxpayers to other Federal agencies and the extent to which the IRS should be involved in matters other than tax administration.

Many people believe that the IRS, because of the massive amount of information it has on individual taxpayers, should be involved more extensively in assisting other agencies of the Federal Government to collect debts owed to the Federal Government. However, others are concerned that, because the IRS has so much information, it has a duty to maintain the confidentiality of that information and to use it only for the purpose for which it was collected (that is, tax administration). Some are concerned that involving the IRS more in Federal debt collection will detract from voluntary compliance of individuals with the tax law and will divert IRS resources from tax collection functions.

A major issue raised by the bill concerns the expansion of permitted disclosure from Federal agencies to private debt collection agencies and consumer reporting agencies. On the one hand, it is argued that this is necessary in order to provide more efficient collection of obligations owed to the Federal Government. On the other hand, some people fear that this expanded disclosure could lead to the unauthorized use of tax information by private debt collection agencies and consumer reporting agencies.

## V. OTHER LEGISLATION RELATING TO FEDERAL DEBT COLLECTION

### A. H.R. 2811 <sup>1</sup>

The bill contains several provisions that are intended to increase the efficiency of government-wide efforts to collect debts owed to the United States. The bill does not deal with tax-related matters.

#### 1. Amendments to the Privacy Act <sup>2</sup>

The bill adds to the Privacy Act a definition for the term "consumer reporting agency." For purposes of the Privacy Act, a consumer reporting agency would be an agency defined in section 603(f) of the Fair Credit Reporting Act. (See footnote 3, in part III above.)

In addition, a consumer reporting agency also would be any person who, for monetary fees, dues, or on a cooperative nonprofit basis, regularly engages in the practice of (1) obtaining credit or other information on consumers for the purposes of furnishing such information to consumer reporting agencies, or (2) serving as a marketing agent under arrangements enabling third parties to obtain such information from consumer reporting agencies.

In addition, the bill provides for disclosure under the Privacy Act to consumer reporting agencies and to Federal lending agencies. (These provisions are described below.) Furthermore, the bill amends the contractor provision of the Privacy Act to provide that a consumer reporting agency to which a record is disclosed will not, by reason of that disclosure, be deemed to be accomplishing an agency function.

#### 2. Disclosure to a consumer reporting agency

Under the bill, if the head of an agency is attempting to collect a claim of the United States, such agency head could disclose informa-

<sup>1</sup> This bill was reported by the House Committee on Government Operations on May 14, 1981 (H. Rept. 9742), and passed the House on May 18, 1981.

<sup>2</sup> Under the Privacy Act, there is a general prohibition against disclosure by a Federal agency of any record contained in a system of records to any person, or to another agency, without a written request by, or prior written consent of, the individual to whom the record pertains. However, several types of disclosures may be made without the individual's consent. These include disclosures to officers and employees of the agency which maintains the record in the performance of their duties; disclosures to the Bureau of the Census or to the National Archives; disclosures to other agencies for purposes of civil or criminal law enforcement; disclosures to the Congress; disclosures to the Comptroller General in the course of the performance of the duties of the General Accounting Office; and disclosures pursuant to court orders (5 U.S.C. sec. 552a(b)). Currently, the Privacy Act contains no exception for disclosures to a consumer reporting agency.

Under the Privacy Act, if an agency provides by contract for the operation of a system of records to accomplish an agency function, the requirements relating to individual records are to apply to that system of records. For purposes of the criminal penalties for wrongful disclosure of records, contractors and their employees are considered to be employees of the contracting agency. The penalty for wrongful disclosures of records is a fine of up to \$5,000.

tion to a consumer reporting agency from a system of records indicating that an individual is responsible for a claim, provided that the following requirements are met:

(1) The notice for the system of records required under the Privacy Act indicates that information from that system may be disclosed to a consumer reporting agency;

(2) The agency head or his designee has reviewed the claim prior to disclosure in order to assure its validity and has determined that payment of the claim is overdue; and

(3) The head of the agency or his designee has sent a written notice to the individual informing such individual that payment of the claim is overdue; that the agency intends, within not less than sixty days after sending such notice, to disclose to a consumer reporting agency that the individual is responsible for such claim; of the specific information intended to be disclosed; and of such individual's right to a full explanation of the claim and of all available rights of administrative appeal or review.

In addition to the foregoing requirements, a disclosure could be made only if the individual has not repaid the claim or has not agreed to repay the claim under a written repayment plan that is agreeable to the agency. Prior to making any disclosure, an agency must have established procedures for promptly disclosing to each consumer reporting agency to which an original disclosure was made any substantial change in the status or amount of the claim. Furthermore, an agency also must establish procedures for promptly verifying or correcting information upon the request of a consumer reporting agency to which such information was originally disclosed.

Information that could be disclosed to a consumer reporting agency would be: (1) the name, address, and other information necessary to establish the identity of the debtor; (2) the amount, status, and history of the claim; and (3) the agency or program under which the claim arose.

Prior to an attempt by an agency head to report on a claim, the bill requires that there must be some procedure allowing an individual to request a review of the obligation, and an opportunity for reconsideration of the initial decision.

The bill provides that if an agency does not have a current address of an individual, for purposes of sending the required notice, it must make reasonable efforts to locate the individual prior to any disclosure to a consumer reporting agency.

### **3. Disclosure to a Federal lending agency**

The bill establishes conditions for the disclosure of information by one Federal lending agency to another Federal lending agency. These conditions are similar to those provided in the case of disclosures to a consumer reporting agency.

### **4. Budget information on agency debt collection activities**

The bill would require that the annual Budget contain information on agency debt collection activities. For each major debt program with \$100 million or more in outstanding debt, the Budget would have to include:

(a) An estimate of the total amount of debt outstanding at the beginning of the fiscal year;

- (b) An estimate of the amount of debt in default;
  - (c) An estimate of the amount of debt that will be collected during the fiscal year; and
  - (d) An estimate of the amount of defaulted debt that will be collected and the amount that will be written off as uncollectable.
- In addition, the Budget would be required to include a comparison of any estimates in previous Budgets with the actual figures for that fiscal year and an explanation of the reason for any significant differences.

#### **5. Reviews of debt programs by Inspectors General**

The bill would require each Inspector General to conduct an annual review of each major debt program with more than \$100 million outstanding. A report of the results of each review would be included in the semiannual report made by each Inspector General.

## **B. H.R. 3741**

### **1. Amendments to the Privacy Act**

The bill adds a definition for the term “consumer reporting agency” and amends the Privacy Act to provide that a consumer reporting agency accepting credit information from a Federal agency will not be deemed to be accomplishing an agency function, in a manner similar to H.R. 2811.

### **2. Disclosure to a consumer reporting agency**

Under the bill, if a Federal agency attempts to collect a claim of the United States under the Federal Claims Collection Act, or other statutory authority, it may notify a consumer reporting agency that a person is responsible for the claim. However, prior to doing so, the Federal agency attempting to collect the claim must send a written notice to the most recently available address of the person who owes the debt informing such person that the agency intends, in no less than 60 days after mailing the notice, to notify a consumer reporting agency that the person is responsible for the claim. The written notice from the agency must include the specific information intended to be released to a consumer reporting agency, and a statement of the individual's right to a full explanation of the claim and right to dispute any information concerning the claim in the records of the agency. A Federal agency would be prohibited from releasing information to a consumer reporting agency if the person responsible for the claim (1) has repaid the claim, (2) has agreed to repay the claim under a written repayment plan that is agreeable to the agency, or (3) has filed for review of the claim.

In addition, prior to notification of a consumer reporting agency, the person alleged to be responsible for a Federal claim must be provided the opportunity to have the obligation reviewed, and to have the initial decision of the agency be reconsidered.

Finally, prior to notification of a consumer reporting agency, the Federal agency must receive satisfactory assurances from the consumer reporting agency that it is in compliance with the Fair Credit Reporting Act and any other Federal law governing the provision of consumer credit information.

After a consumer reporting agency has been notified that a person is responsible for a Federal claim, a Federal agency would be required to promptly notify it of any substantial change in the status or amount of the person's indebtedness and would have to verify or correct any information released, upon request by the consumer reporting agency.

### **3. Use of social security numbers**

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.

#### **4. Salary offsets**

The bill would expand substantially the present law governing salary offsets. In general, if a Federal employee is indebted to the United States for any debt, that employee's salary could be offset to satisfy such debt. The amount of the debt could be collected in monthly installments, or at officially established pay intervals, by deduction from the current pay account of the individual.

Deductions for indebtedness to the United States could be made from basic pay, special pay, incentive pay, retired pay, retainer pay, or any other authorized pay of a Federal employee, Postal Service employee, or member of the Armed Forces or Reserves. The maximum deduction would be 25 percent of disposable pay, unless a greater deduction were necessary to complete collection within the period of the debtor's anticipated active duty or employment. If an individual retired or resigned before collection were completed, then deductions would be made from payments of any nature due to the individual for retirement.

The collection of any debt through salary offset would be made in accordance with standards promulgated under the Federal Claims Collection Act of 1966 or any other statutory authority for the collection of claims of the United States.

#### **5. Protection of Federal debt collectors**

Officers or employees of the United States who are designated to collect or compromise a Federal claim in accordance with the Federal Claims Collection Act of 1966, or other statutory authority, would be included in the enumeration of "protected" officers and employees in 18 U.S.C. sec. 1114. Thus, the murder of such individuals would be a Federal offense.

#### **6. Screening potential debtors**

Upon written request, the IRS would be permitted to disclose to officers and employees of a Federal agency information relating to the amount, if any, of any outstanding liability of a Federal loan applicant for any tax, penalty, interest, fine, forfeiture, or other imposition under the Internal Revenue Code. This information could be disclosed only for purposes of, and to the extent necessary in, determining the outstanding liabilities of a Federal loan applicant.

#### **7. Disclosure to agents of a Federal agency**

Under the bill, the IRS would be permitted to disclose mailing addresses of taxpayers to agents, as well as to officers and employees, of other Federal agencies for their use in locating taxpayers for the purpose of collecting or compromising Federal claims against taxpayers under the Federal Claims Collection Act of 1966. Such disclosures could be made upon written request.

The unauthorized redisclosure of information received in this manner would be a felony punishable upon conviction by a fine of not more than \$5,000 or imprisonment of not more than 5 years, or both.

#### **8. Interest rate on tax refunds and deficiencies <sup>3</sup>**

Under the bill, the interest rate on tax refunds and deficiencies would be the average of the prime rate for each of the 12 months ending with the month of September. This rate would be adjusted annually, if such rate is one percentage point above or below the prevailing rate. Any rate changes would become effective on February 1 of the succeeding year.

#### **9. Statute of limitations for debt collection actions brought by the United States**

Under the bill, the statute of limitations for actions for money damages brought by the United States (generally six years) would not apply to the collection of debts by means of administrative offset.

#### **10. Interest and penalties on indebtedness owed to the United States**

In general, the bill would require Federal agencies to charge a minimum annual rate of interest on outstanding debts. This interest rate would be equal to the average investment rate for Treasury tax and loan accounts for the twelve months ending with September each year, rounded to the nearest whole percent. The IRS would be required to publish the interest rate each year no later than October 31, and such rate would become effective on the first day of the next calendar quarter. Quarterly revision of the interest rate would be permitted when the average investment rate for the twelve months ending each calendar quarter, rounded to the nearest whole percent, is 200 basis points more or less than the existing, published rate.

In addition, Federal agencies would be required to assess charges to cover the costs of processing and handling delinquent claims, and would be required to assess penalty charges. The penalty charge could not exceed six percent per annum and would apply to debts that are more than ninety days past due.

The interest and penalties mandated by the bill would not apply if a statute, regulation, loan agreement, or contract either prohibited the charging of interest or penalties or explicitly fixed interest or penalty charges. Furthermore, Federal agencies would be permitted to identify, through regulations, circumstances in which it is appropriate to waive the collection of interest and penalties, in accordance with standards that may be promulgated jointly by the Attorney General and the Comptroller General.

#### **11. Service of summons**

The bill would amend the Federal Claims Collection Act of 1966 to permit service of legal process, for purposes of debt collection, to

<sup>3</sup> Under present law, as modified by the Economic Recovery Tax Act of 1981, the interest rate applicable to tax refunds and deficiencies is 100 percent of the prime rate for September of each year, and is effective on February 1 of the immediately succeeding year. This interest rate is to be adjusted annually, if the "adjusted prime rate charged by banks" during September, when rounded to the nearest full percent, is at least a full percentage point more or less than the rate then in effect. (Under the Act, this change will thus be effective February 1, 1982.) Beginning in 1983, changes in the interest rate will be effective on January 1, rather than on February 1, of the year immediately succeeding that in which the rate is established. (Prior law provided for an interest rate equal to 90 percent of prime, which could be adjusted no more frequently than every 23 months.)

be made in accordance with the Federal Rules of Civil Procedure by certified or registered mail, or in such other manner as a court directs.

**12. Report on agency debt collection activities**

The bill would require that Federal agencies report to the Treasury, the Office of Management and Budget, and the Congress, no less than annually, concerning their debt collection activities. This reporting requirement would be established through OMB regulations, in consultation with the Treasury Department and the General Accounting Office.



**C. H.R. 4614**

**1. Protection of Federal debt collectors**

Officers or employees of the United States who are designated to collect or compromise a Federal claim in accordance with the Federal Claims Collection Act of 1966, or other statutory authority, would be included in the enumeration of "protected" officers and employees in 18 U.S.C. sec. 1114. Thus, the murder of such individuals would be a Federal offense.

**2. Statute of limitations for debt collection actions brought by the United States**

Under the bill, the statute of limitations for actions for money damages brought by the United States (generally six years) would not apply to the collection of debts by means of administrative offset. Moreover, the bill would require that if a Federal agency attempts to collect a claim of the United States under the Federal Claims Collection Act of 1966, it must prescribe regulations and establish standards for the exercise of administrative offsets that are based on the best interest of the United States, the likelihood of collecting by administrative offset, and the cost effectiveness of carrying an open claim beyond six years.

**3. Interest and penalties on indebtedness owed to the United States**

In general, the bill would require Federal agencies to charge a minimum annual rate of interest on outstanding debts. This interest rate would be equal to the average investment rate for Treasury tax and loan accounts for the twelve months ending with September each year, rounded to the nearest whole percent. The IRS would be required to publish the interest rate each year no later than October 31, and such rate would become effective on the first day of the next calendar quarter. Quarterly revision of the interest rate would be permitted when the average investment rate for the twelve months ending each calendar quarter, rounded to the nearest whole percent, is 200 basis points more or less than the existing, published rate.<sup>4</sup>

In addition, Federal agencies would be required to assess charges to cover the costs of processing and handling delinquent claims, and would be required to assess penalty charges. The penalty charge could not exceed six percent per annum and would apply to debts that are more than ninety days past due.

The interest and penalties mandated by the bill would not apply if a statute, regulation, loan agreement, or contract either prohibited the charging of interest or penalties or explicitly fixed interest or penalty charges. Furthermore, Federal agencies would be permitted to identify, through regulations, circumstances in which it is appropriate to waive the collection of interest and penalties, in accordance

<sup>4</sup> 200 basis points are equal to two percent.

with standards that may be promulgated jointly by the Attorney General and the Comptroller General.

**4. Service of summons**

The bill would amend the Federal Claims Collection Act of 1966 to permit service of legal process, for purposes of debt collection, to be made in accordance with the Federal Rules of Civil Procedure by certified or registered mail, or in such other manner as a court directs.

**5. Contracting for the collection of debts**

The bill specifically would provide that Federal agencies may contract with private collection agencies, for purposes of collecting Federal claims, notwithstanding any other provision of law (except for the Internal Revenue Code) governing the collection of Federal claims.

