

DESCRIPTION OF S. 1249
THE DEBT COLLECTION ACT OF 1981
SCHEDULED FOR A HEARING
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT OF
THE INTERNAL REVENUE SERVICE
OF THE
COMMITTEE ON FINANCE
ON JULY 20, 1981

PREPARED FOR THE USE OF THE
COMMITTEE ON FINANCE
BY THE STAFF OF THE
JOINT COMMITTEE ON TAXATION



JULY 17, 1981

CONTENTS

	Page
Introduction.....	v
I. Summary.....	1
II. Present Law.....	4
A. Nontax-Related Provisions.....	4
1. Disclosure of records under the Privacy Act.....	4
2. The Federal Claims Collection Act of 1966.....	4
3. Salary offsets.....	4
4. Protection of officers and employees of the United States.....	5
5. Statute of limitations for debt collection actions brought by the United States....	5
B. Tax-Related Provisions.....	6
1. Disclosure of returns and return information for purposes of debt collection..	6
2. Interest rates on tax refunds and deficiencies.....	7
III. Issues Raised by Tax-Related Provisions.....	10
IV. Description of S. 1249 (The Debt Collection Act of 1981) ..	11
A. Nontax-Related Provisions.....	11
1. Disclosure of information by a Federal agency to a consumer reporting agency..	11
2. Salary offsets.....	12
3. Protection of Federal debt collectors.....	13
4. Statute of limitations for debt collection actions brought by the United States....	13
5. Interest and penalties on indebtedness owed to the United States.....	13
6. Service of summons.....	14
7. Report on agency debt collection activities.....	14
8. Contracting for the collection of debts....	14
B. Tax-Related Provisions.....	15
1. Use of social security numbers.....	15
2. Disclosure of information by the IRS for purposes of screening potential debtors..	15
3. Disclosure of debtor identity information.....	15
4. Interest rate on tax refunds and deficiencies.....	15
5. Effective date of tax provisions.....	16
6. Revenue effect of increase in tax interest rate.....	16

INTRODUCTION

The Senate Finance Committee's Subcommittee on Oversight of the Internal Revenue Service has scheduled a hearing on July 20, 1981, on S. 1249, the Debt Collection Act of 1981 (introduced by Senators Percy, Armstrong, Boren, Chafee, Danforth, Packwood, Roth, and several others). The bill was ordered reported by the Senate Committee on Governmental Affairs on July 9, 1981. Since the bill contains several tax provisions, it has been referred to the Senate Finance Committee.

The bill deals with the collection of debts by the Federal Government. The tax-related provisions in the bill 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, unpaid tax liabilities; (3) allow the IRS to disclose individuals' mailing addresses to agents (private contractors) of Federal agencies for purposes of debt collection; and (4) increase the interest rate payable on overpayments and deficiencies of tax to 100 percent of the prime rate, adjusted annually.

This pamphlet, prepared in connection with the hearing, contains four parts. The first part is a summary of present law and the bill. The second part is a discussion of present law. The third part is a brief discussion of the tax-related issues in the bill. Part four provides a more detailed description of the provisions of S. 1249, as ordered reported by the Senate Committee on Governmental Affairs.

I. SUMMARY

A. Present Law

Present law (the Internal Revenue Code and other Federal laws) contains several provisions governing the collection of debts owed to the Federal Government. These include the Privacy Act, the Federal Claims Collection Act of 1966, the Fair Credit Reporting Act, and the Internal Revenue Code provisions relating to the disclosure of tax returns and return information and the interest rate on tax refunds and deficiencies.

1. Nontax-related provisions

Disclosure to consumer reporting agencies

The Privacy Act generally prevents a Federal agency from disclosing an individual's records without the individual's consent. Thus, delinquencies of debtors on their financial obligations to the Federal Government may not be referred to private debt collection agencies.

Salary offsets

Under present law, a Federal employee's salary may be withheld to satisfy a debt owed to the Federal Government only if the debt resulted from an erroneous payment.

Protection of Federal debt collectors

Under present law, the murder of a Federal debt collector is not a Federal criminal offense.

Statute of limitations for Federal debt collection

In general, there is a six-year statute of limitations on Federal debt collection actions. There is no exception for Federal debts collected through administrative offset.

Interest and penalties on indebtedness to the United States

The Federal Claims Collection Act of 1966, dealing with the collection of Federal debts, contains no provision requiring the assessment of interest or penalties on debts owed to the Federal Government.

2. Tax-related provisions

Disclosure of returns and return information for purposes of Federal debt collection

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. One area of permitted disclosure is the disclosure of taxpayers' mailing addresses to officers and employees of Federal agencies, for their use in collecting Federal debts. However, this provision does not permit disclosure to agents (e.g., private debt collection agencies) of Federal agencies. Moreover, there is no provision which allows the IRS to in-

form other Federal agencies whether applicants for Federal loans have any outstanding tax deficiencies.

Interest rate on tax refunds and deficiencies

Under present law, the interest rate payable on tax refunds and deficiencies is fixed, under Treasury regulations, at 90 percent of the prime rate. Adjustments to this rate may not be made more frequently than every 23 months.

B. Summary of S. 1249

1. Nontax-related provisions

Disclosure to consumer reporting agencies

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.

Salary offsets

The bill would permit the offset of a Federal employee's salary to satisfy general debts owed to the Federal Government.

Protection of Federal debt collectors

Under the bill, the murder of a Federal debt collector would be a Federal criminal offense.

Statute of limitations for Federal debt collection

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.

Interest and penalties on indebtedness to the United States

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

Service of summons

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.

Reports on agency debt collection activities

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

Contracting for the collection of debts

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).

2. Tax-related provisions

Use of social security numbers

The bill would require individuals who apply for Federal loans or assistance to furnish their social security numbers.

Disclosure of information by the IRS for purposes of screening potential debtors

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

Disclosure of debtor identity information

The bill would permit the IRS to disclose mailing addresses to agents (i.e., private debt collectors), as well as to officers and employees, of other Federal agencies for purposes of collecting Federal debts.

Interest rate on tax refunds and deficiencies

The interest rate on tax refunds and deficiencies would be fixed with regard to 100 percent, rather than 90 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.

II. PRESENT LAW

A. Nontax-Related Provisions

1. Disclosure of records under the Privacy Act

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.

2. The Federal Claims Collection Act of 1966

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 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.

The Federal Claims Collection Act does not require the assessment of interest or penalties on debts owed to the Federal Government.

The Act contains no provision relating to service of summons.

3. Salary offsets

Present law provides for deductions from pay, of a Federal employee, in certain circumstances, for indebtedness resulting from erroneous payments (5 U.S.C. sec. 5514). If a Federal agency determines that an employee, a member of the Armed Forces, or a Reservist is in-

debted to the United States because of an erroneous payment from the agency, then such indebtedness may be collected in monthly installments, or at regular pay period intervals, by deductions of reasonable amounts from the individual's pay.

In general, the amount deducted may not exceed two-thirds of the pay from which the deduction is made. If the individual retires before the indebtedness is collected, then deductions are made from later payments of any nature due the individual from the agency concerned.

4. Protection of officers and employees of the United States

Under present law, the murder of certain specifically designated officers and employees of the United States is classified as a Federal offense (18 U.S.C. sec. 1114). Federal debt collectors are not included in the listing of "protected" officers and employees.

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

In general, an action for money damages brought by the United States, which is founded upon an express or implied contract, must be commenced within six years after the right of action has accrued or, if later, within one year after final decisions have been rendered in applicable administrative proceedings (28 U.S.C. sec. 2415). An action for money damages which is founded upon tort must be brought within three years after the right of action first accrues. Collection of delinquent debts owed to the Federal Government, by means of administrative offset, is subject to these same limitations.

B. Tax-Related Provisions

1. Disclosure of returns and return information for purposes of debt collection

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.¹

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, 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.

¹ 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.

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.

2. Interest rate on tax refunds and deficiencies

Present law (Code sec. 6621) provides that the interest rate payable on tax refunds and deficiencies is to be prescribed by Treasury regulations. However, adjustments in the tax interest rate may not be made more frequently than every 23 months.

The tax interest rate is set at 90 percent of the average prime rate, and is established by October 15th of any year if the prime rate for September of that year is at least one full percentage point above or below the existing tax interest rate. Changes in the tax interest rate are effective for the period beginning February of the year following that in which a new rate is established.

Any particular tax interest rate applies *only* to the taxable period for which it is in effect. As a result, several different tax rates may apply to a tax refund or deficiency attributable to several different tax periods.

The current tax interest rate, effective for the period from February 1, 1980, until February 1, 1982, is 12 percent.

The following table shows the Code's tax interest rate as compared to the average daily prime interest rate for each month from January 1976 through June 1981.

COMPARISON OF STATUTORY RATE ON TAX UNDERPAYMENTS AND
OVERPAYMENTS AND PRIME INTEREST RATES, 1976-81

(Percent)

Year: Month	Statutory rate	Prime rate ¹
1976:		
January	9.00	7.00
February	7.00	6.75
March	7.00	6.75
April	7.00	6.75
May	7.00	6.75
June	7.00	7.20
July	7.00	7.25
August	7.00	7.01
September	7.00	7.00
October	7.00	6.78
November	7.00	6.50
December	7.00	6.35
1977:		
January	7.00	6.25
February	7.00	6.25
March	7.00	6.25
April	7.00	6.25
May	7.00	6.41
June	7.00	6.75
July	7.00	6.75
August	7.00	6.83
September	7.00	7.13
October	7.00	7.52
November	7.00	7.75
December	7.00	7.75
1978:		
January	7.00	7.93
February	6.00	8.00
March	6.00	8.00
April	6.00	8.00
May	6.00	8.27
June	6.00	8.63
July	6.00	9.00
August	6.00	9.01
September	6.00	9.41
October	6.00	9.94
November	6.00	10.94
December	6.00	11.55

See footnotes at end of table.

COMPARISON OF STATUTORY RATE ON TAX UNDERPAYMENTS AND OVERPAYMENTS AND PRIME INTEREST RATES, 1976-81—Continued

(Percent)

Year: Month	Statutory rate	Prime rate ¹
1979:		
January-----	6.00	11.75
February-----	6.00	11.75
March-----	6.00	11.75
April-----	6.00	11.75
May-----	6.00	11.75
June-----	6.00	11.65
July-----	6.00	11.54
August-----	6.00	11.91
September-----	6.00	12.90
October-----	6.00	14.39
November-----	6.00	15.55
December-----	6.00	15.30
1980:		
January-----	6.00	15.25
February-----	12.00	15.63
March-----	12.00	18.31
April-----	12.00	19.77
May-----	12.00	16.57
June-----	12.00	12.63
July-----	12.00	11.48
August-----	12.00	11.12
September-----	12.00	12.23
October-----	12.00	13.79
November-----	12.00	16.06
December-----	12.00	20.35
1981:		
January-----	12.00	20.16
February-----	12.00	19.43
March-----	12.00	18.05
April-----	12.00	17.15
May-----	12.00	19.61
June-----	12.00	² 20.00

¹ Average daily rate for the month.² Rate on June 25, 1981.

III. ISSUES RAISED BY TAX-RELATED PROVISIONS OF S. 1249

The bill raises several tax-related 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.

Issues with regard to the interest rate on tax refunds and deficiencies concern the proper rate of interest and how often that rate should be adjusted.

IV. DESCRIPTION OF S. 1249

(THE DEBT COLLECTION ACT OF 1981)

A. Nontax-Related Provisions

1. Disclosure of information by a Federal agency to a consumer reporting agency

The bill would amend the Privacy Act to allow a Federal agency to disclose an individual's records to a consumer reporting agency, without the consent of the individual whose records are disclosed, provided that certain requirements are met. A consumer reporting agency would be an agency defined in section 603(f) of the Fair Credit Reporting Act.¹ 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.

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 (except the Internal Revenue Code), it may, after reviewing the claim and determining that it is valid and overdue, 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. If the agency does not have an address for the person responsible for the claim, then it must take reasonable action to locate the address. 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

¹The 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. 1681a(f)).

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.

Information that could be disclosed by a Federal agency to a consumer reporting agency would be restricted to: (1) the name, address, social security number, and other information necessary to establish the identity of the person who is indebted to the Federal Government; (2) the amount, status, and history of the claim, and (3) the name of the agency under which the claim arose.

2. 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, for which the United States is entitled to be repaid, 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.

Prior to the collection of a debt through salary offset, the Federal agency would be required to notify the debtor, in writing, of the nature and amount of the indebtedness, the agency's intention to collect the debt through salary offsets, and an explanation of his rights with respect to the collection of the debt. These rights would be (1) an opportunity to inspect and copy the agency's records with respect to the debt; (2) an opportunity for the review of the determination of the agency with respect to the indebtedness; and (3) an opportunity to enter into a written agreement with the agency, under terms agreeable to the agency, for the repayment of the debt.

Finally, 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.

3. 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.

4. 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 five years.

5. 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.²

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.

² 200 basis points are equal to two percent.

6. 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.

7. 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.

Each agency's report would be required to contain the following information:

(1) The total amount of loans and accounts receivable owed to the agency and when those amounts are due to be repaid;

(2) The total amount of receivables and number of claims that are at least 30 days past due;

(3) The total amount of debts written off as uncollectable;

(4) The rate of interest charged on overdue debts, and the amount of interest charged and collected on debts;

(5) The total number of claims and the amount collected;

(6) The number of claims and the total amount of claims referred to the Department of Justice for settlement, and the number of claims and the total amount of claims settled by the Department of Justice; and

(7) Any other information that the OMB finds necessary in order to determine whether the agency is engaging in aggressive action to collect claims.

The information required to be reported by each agency also would have to be reported separately for each program or activity administered by the agency.

8. 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.

B. Tax-Related Provisions

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. 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.

2. Disclosure of information by the IRS for purposes of screening potential debtors

Upon written request, the IRS would be permitted to disclose to another Federal agency whether a Federal loan applicant has any outstanding tax liability (or other liabilities 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 loan has outstanding liabilities. Information concerning 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, or guaranteed or insured by, the Federal Government or a Federal agency.

3. Disclosure of debtor identity information

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.

4. Interest rate on tax refunds and deficiencies³

The bill would require that the interest rate payable on tax refunds and deficiencies is to be based upon 100 percent, rather than 90 percent, of the prime interest rate.

The tax interest rate would be adjusted on an annual basis whenever the prime interest rate is one percentage point above or below the prevailing prime interest rate.

³ The House Committee on Ways and Means, on July 10, 1981, tentatively agreed that the tax interest rate should be based upon 100 percent of the prime rate and should be adjusted annually. Furthermore, the Committee agreed to give the Treasury the option to adjust the interest rate semi-annually.

The interest rate would be established no later than October 15 of any year. The rate for any year would be based on the average of the predominant prime rate for each of the twelve months ending with the month of September, rounded to the nearest full percent. (Current law looks to the September rate, alone, rather than to a 12-month average.) This rate would become effective, for tax interest and deficiency purposes, on February 1 of the immediately succeeding year.

5. Effective date of tax provisions

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

6. Revenue effect of increase in tax interest rate

It is estimated that the tax interest rate provision of this bill would increase budget receipts by \$100 million in fiscal year 1982, have a negligible effect in 1983, increase receipts by \$100 million in 1984, reduce receipts by \$100 million in 1985, and increase receipts by \$60 million in 1986. (This is based upon the assumption of a gradually declining prime interest rate over this time period, and the annual adjustment feature of the interest rate on tax refunds and deficiencies.)