

Defeat Debt

Credit Advisors Foundation

Volume 48, Issue 10

IRS Private Debt Collection—What does this mean for you

The Internal Revenue Service is once again moving forward with its new private debt collection program. The 2004 American Jobs Creation Act authorized the IRS to hire private firms to collect federal tax debts. Included in the Act are limitations to ensure the private firms will be subject to the same stringent taxpayer protection and privacy rules that the IRS employees must follow.

In a press release, IRS Commissioner Mark W. Everson said that within the implementation of the new program, “We are working hard to protect taxpayer privacy



The IRS has hired private firms to collect federal tax debts

and taxpayer rights.”

Three private collection agencies (PCAs) began collecting back taxes in September. An initial 12,500 delinquent federal tax accounts have been assigned to the PCAs for collection. That number may reach 40,000 by the end of the year.

Additional specific guidelines have been designed by the IRS for the PCAs which include background checks for all PCA personnel associated with the project that includes fingerprinting, IRS-directed training programs and abiding by the Fair Debt Collection Practices Act. Extra protection will be provided in that no copies of taxpayer filed returns will be shared or turned over to the PCAs.

Part of the problem that caused delays in starting the program were critics

concerns over taxpayer privacy and security of taxpayers’ personal information. While the IRS has put some protections in place and PCAs must comply to specific guidelines like those mentioned above the IRS does expect taxpayers to learn about as many details of the program as possible in order to protect themselves from scammers.

The only accounts that will be involved in the program are those where the debt has been acknowledged by the taxpayer but the debt remains unpaid. The IRS will send the chosen taxpayers a notification letter that explains the process, reviews taxpayer’s rights, details the payment options available and includes a brochure of frequently asked questions. Also, the IRS letter will note the name, address, and telephone number of the

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IRS Private Collection Program

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assigned PCA. The appointed PCA will then also send a letter of collection intent to the consumer. Taxpayers are asked to contact the IRS immediately if they are contacted by a PCA prior to receiving notice from the IRS

The PCAs are only able to collect the debt. They are not authorized to negotiate compromises or settlements, garnish, file liens or impose levies.

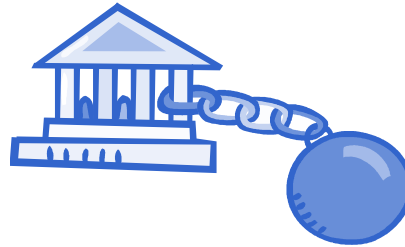
The IRS warns taxpayers that payments made by check should only be made out to the US Treasury, never a company and especially not an individual and sent only to a designated IRS address – not directly to the PCA.

An additional warning from the IRS

The IRS should also be notified if a taxpayer is contacted by a company other than one of the appointed PCAs.

The three private collection agencies currently appointed are The CBE Group, Inc. Based in Waterloo, Iowa; Linebarger, Goggan, Blair and Sampson, LLP, of Austin, Texas; and Pioneer Credit Recovery, Inc in Arcade, New York.

All taxpayers, including those involved in this program will continue to have full access to the Taxpayer Advocate, an independent organization within



Keep in mind if you owe a tax debt, CAF can help

the IRS, who assists taxpayers with problems that may arise with the IRS.

Finally, if you are a participant in Credit Advisors Foundation's debt management program (DMP),

keep in mind that if you owe a tax debt, CAF can assist you in setting payment arrangements and include the debt in your DMP. If you are not currently in a DMP and you owe a tax debt, give us a call. We can review your overall financial situation and help you in assessing your best path to resolving whatever challenges you face.

Settlement Wisdom

While Credit Advisors Foundations' primary focus is consumer financial education on topics such as budgeting, wise use of credit, credit reports, pre-bankruptcy and housing counseling, and a more robust offering called debt management plans (DMP) for certain people in need. A DMP assists in the most unglamorous aspects of debt management: the follow up and

the follow through by making arrangements with creditors and delivering payments as promised to fulfill those arrangements and get debt paid off. There are times when DMP clients ask about



Never get rid of documentation on settled accounts

Settling debts can be complex and time consuming

the wisdom of settling a debt as a means of debt repayment.

Settling debts can be a very complex, time consuming endeavor. If you are considering settling a debt there is important information you need to be aware of and factors you need to consider before making any final decisions or agreements.

- Documentation is everything in debt settlement. Prior to paying any settlement funds to a creditor have the terms in writing, including the amount of the original debt, the settlement amount, how it is to be paid, to whom,

by what date and how it will be reported to the credit bureaus. Once you pay, you will have no ability to ensure the terms are kept unless you have it all in writing in advance.

- Settlements can generate a tax liability when the amount you don't pay (forgiven) is reported to the IRS as income. For example, if a debt of \$10,000 with a credit card is settled for \$6,000, the credit card company would report to the IRS the \$4,000 forgiven you as income. This means you must then report the information when filing taxes and it could increase in your tax liability.

- Consider your housing plans in the future. Some, (not all) mortgage underwriters will require you to pay any remaining amounts before approving an application for a mortgage. At the very least, they

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Word Search * Word Search * Word Search * Word Search * Word Search

Don't settle for second best. Review the letters of this month's Word Search factoring in the words below plucked from the articles in this edition of DebtEdge, and solve the Word Search puzzle.

- AGENCY PAYMENT
- COLLECT PRIVACY
- CREDIT PUMPKIN
- DEBT SETTLEMENT
- DOCUMENT TAX
- FACTOR TIME
- FEDERAL UNPAID
- LETTER WISE

S	T	R	F	E	D	E	R	A	L
E	L	E	T	T	E	R	G	E	P
T	S	P	A	Y	M	E	N	T	R
T	P	I	Q	T	N	T	D	P	I
L	R	F	W	C	D	I	E	U	V
E	O	E	Y	E	I	D	B	M	A
M	T	I	M	L	A	E	T	P	C
E	C	X	A	L	P	R	M	K	Y
N	A	G	E	O	N	C	Y	I	R
T	F	D	O	C	U	M	E	N	T

Settlement Wisdom

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will want documentation of the arrangements and proof the terms were kept.

- Consider your employment plans for the future. If you are employed in a field that requires bonding, licensure, or security clearances, settlements can be a potential problem. Again, correct documentation can be vital.
- Settling the accounts will require you to continue to monitor your credit report to ensure they correctly report the terms negotiated. This is a significant problem with settlements. Again, documentation is everything.
- With the recent growth of the third party debt buyer industry, keeping complete documentation will only become more and more important. Third party debt purchasers will buy blocks of old debts from creditors for cents on the dollar

and then turn around and try to collect the debts. Some of the debts will still be valid, but some may be included in bankruptcy, settled or have expired statute of limitations.

When you are contacted by a collector in 10 years, you will need the documentation still. Never get rid of the documentation on settled accounts.

<p>Sponsored by:</p>  <p>Credit Advisors FOUNDATION</p> <p>Seminar Location: 1850 South 72nd St. Omaha, NE</p> 	<p>FREE!</p> <p>FREE!</p> <p>Psychology of Money</p> <p>Friday, October 13, 2006</p> <p>11:00am, 1:30pm & 4:30pm central time</p> <p>Please RSVP by October 9th</p> <p>402-501-8194 or michaela@creditadvisors.org</p> <p>Out of area? Toll Free Conference Call: 1-866-285-7780 enter code 4425358</p>
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Credit Advisors Foundation

1818 South 72nd Street
Omaha, NE 68124

Phone: 888-942-9027

Fax: 402-393-4141

E-mail: clientcare@creditadvisors.org

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Get out of debt with no regret !!



The Kitchen on a Dime

Southwestern Pumpkin Soup

Flavored with chili powder and cumin this soup is inexpensive and easy to make. Double the recipe for larger servings, and as an extra special touch hollow out small pumpkins and use as serving bowls. An especially satisfying soup, it's perfect for an early winter evening.

Ingredients:

- 3 cups canned low-salt chicken broth
- 1 cup whipping cream
- 1 15-ounce can pure pumpkin
- 3 Tablespoons (packed) dark brown sugar
- 1 teaspoon ground cumin
- 1/2 teaspoon chili powder

- 1/2teaspoon ground coriander
- 1/8 teaspoon ground nutmeg
- 3/4 cup (packed) grated sharp cheddar cheese
- Chopped fresh cilantro

Directions:

Bring chicken stock and whipping cream to boil in heavy medium pot.

Whisk in canned pumpkin, brown sugar, cumin, chili powder, coriander and nutmeg. Reduce heat to medium and simmer until soup thickens slightly and flavors blend, about 15 minutes.

Season to taste with salt and pepper.

Ladle soup into bowls.

Garnish each serving with cheddar cheese and cilantro and serve.



Hollow out small pumpkins and use as serving bowls.

Note: Soup can be prepared up to 1 day ahead. After simmering and seasoning with salt and pepper, cool, cover and refrigerate. To rewarm the soup, heat on medium-low, whisking occasionally.)

Makes 4 appetizer servings at \$1.45 per serving.