



Highlights of [GAO-12-939](#), a report to congressional requesters

Why GAO Did This Study

Millions of individual and business taxpayers owe billions of dollars in unpaid federal tax debts, and the IRS expends substantial resources trying to collect these debts. Other federal agencies that are owed nontax debts report such debts to credit bureaus, in part as a tool to encourage debtors to pay. However, IRS is not allowed to directly report tax debts to credit bureaus because long-standing federal law protects the privacy of taxpayers' information. IRS is only authorized to disclose personally identifiable information reported to or developed by IRS in limited circumstances as specified by law. IRS is, however, allowed to file tax liens on some tax debts, and such liens are public records that are picked up by credit bureaus and included in the credit history information they compile.

GAO was asked to describe (1) IRS's inventory of tax debts and the characteristics that may be relevant to a potential proposal to report tax debts to credit bureaus and (2) factors that experts believe could be useful to consider in the evaluation of any proposal to report tax debts to credit bureaus. To conduct this work, GAO reviewed IRS data on tax debts and held discussions with selected experts, including government and nongovernment officials with experience in tax policy and administration, taxpayer and privacy interests, and the credit reporting industry. GAO does not make recommendations in this report.

View [GAO-12-939](#). For more information, contact James R. White at (202) 512-9110 or whitej@gao.gov.

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FEDERAL TAX DEBTS

Factors for Considering a Proposal to Report Tax Debts to Credit Bureaus

What GAO Found

At the end of fiscal year 2011, individuals and businesses owed a total of about \$373 billion in federal unpaid tax debts—\$258 billion in individual debt and \$115 billion in business debt. How much of this debt would be suitable to report to credit bureaus could depend on the purpose of the reporting proposal, such as to collect more debts or simply to inform other potential creditors of the existence of tax debts. Most of debts were relatively small in size. Well over half of individuals and businesses with tax debts owed less than \$5,000. However, much of the aggregate debt is concentrated among those owing relatively large amounts. Debts over \$25,000 add up to a total of \$310 billion. Some debts were in the collection process where the Internal Revenue Service (IRS) notifies the taxpayer of the debt and were subject to dispute by the taxpayer, while other debts were covered by installment agreements—about \$60 billion of the debts owed were in these two categories. About \$110 billion of the total debt was classified by IRS as uncollectable. IRS files tax liens on some tax debts and these liens are public records that credit bureaus routinely pick up and add to their data. Over half of the total amount owed was subject to liens, cutting across the above categories.

Subject matter experts commented that issues surrounding data accuracy, alternatives, and expected benefits would be among the important factors that Congress might wish to consider in regards to any possible future proposal to report tax debts to credit bureaus. One key factor discussed was the need to ensure that any reported tax debt data is accurate and current as this would be important to both credit bureaus and the affected taxpayers, who could be denied credit, employment, or housing based on inaccurate negative information in their credit histories. Some subject matter specialists GAO spoke to said that it would be important to consider IRS's current use of tax liens, which are already known to credit bureaus, as an alternative to reporting debts directly. Another important consideration would be the expected benefits of direct tax debt reporting. These experts suggested that such reporting could yield benefits such as increased revenue collected or reduced tax debt inventory. However, the National Taxpayer Advocate cautioned that such reporting could cause some taxpayers to choose not to file or file inaccurately if they know they owe money to IRS.