

Coburn Amendment #1750— Prohibiting the Funds in the Bill From Being Used to Pay Salaries of Federal Tax Cheats

- **The Prohibition of Funds and Federal Assistance in the Bill for Corporations with Delinquent Taxes Should Be Extended to All Individuals**
- **While millions of Americans continue to send back portions of their hard earned wages to Washington, many federal employees are failing to contribute their share.**
- **Civilian federal employees owe more than \$1 billion in unpaid taxes**
- **The Internal Revenue Service already disciplines employees with seriously delinquent tax debt**
- **Collecting unpaid taxes should start with federal employees**
- **A federal employee who fails to pay taxes should not continue to receive generous federal compensation**

Millions of federal employees are facing layoffs, furloughs, and other cutbacks as a result of Congress' failure to replace sequestration with responsible, targeted cuts. Most of these federal employees are responsible citizens who pay their taxes. Some, however, have been living off of the taxpayers while failing to pay their own share of taxes.

One way Congress can replace these indiscriminate staffing cutbacks would be to require agencies to target any necessary furloughs or layoffs first toward federal employees who have seriously delinquent tax debt.

Section 419 of the THUD appropriations bill prohibits funds in the bill and other federal assistance (such as loans) from being made available to *corporations* who have not paid their taxes and owe the government money. This amendment would add to this section to also include prohibiting the paying of salaries and federal funds for federal employees

and other individuals (such as independent contractors), who have not paid their taxes.

While millions of Americans continue to send back portions of their hard earned wages to Washington, many federal employees are failing to contribute their share.

Prohibiting Funds and Federal Assistance in the Bill for Corporations with Delinquent Taxes Should Be Extended to All Individuals

The underlying bill, drafted by the Senate appropriations committee, includes a provision prohibiting federal assistance for corporations owing taxes to the Federal Treasury. The House bill also includes this provision. This commonsense reform should be extended to all individuals, including federal employees, who have failed to pay their taxes.

Civilian federal employees owe more than \$1 billion in unpaid taxes

- In 2011, the Internal Revenue Service (IRS) found nearly 312,000 federal employees and retirees were delinquent on their federal income taxes, owing a total of \$3.5 billion in unpaid federal income taxes.
- Of these, 107,658 were current civilian federal employees owing \$1.013 billion in unpaid taxes.
- 141,980 were military and civilian retirees owing \$2.1 billion.
- 61,928 were current military owing \$329 million.

Consider the following examples:

- The Department of Justice has a delinquency rate of 2.19 percent with 2,552 employees owing \$20.2 million.
- The Department of Health and Human Services has a delinquency rate of 4.03 percent with 3,454 employees owing \$44.6 million.
- The U.S. Postal Service has a delinquency rate of 3.59 percent with 22,404 employees owing \$215.2 million.
- The U.S. Senate has a delinquency rate of 3.33 percent with 234 employees owing \$1.9 million.

Federal employees have an important obligation to pay their taxes

Federal employees have a clear obligation, just as the rest of American citizens do, to pay their federal income taxes. While millions of Americans continue to send back portions of their hard-earned wages to Washington, many federal employees are failing to contribute their share. The very nature of federal employment demands salaried workers pay their federal income taxes. Failure to do so is an affront to taxpayers.

The Internal Revenue Service already disciplines employees with seriously delinquent tax debt

At the Internal Revenue Service, delinquent tax debt is grounds for termination. Other federal agencies should likewise apply strict standards to employees who fail to pay their taxes.

Collecting unpaid taxes should start with federal employees

Unpaid federal taxes, or the “tax gap,” are a significant problem for the federal government. For tax year 2006, the most recent year studied, the IRS was unable to collect over \$385 billion of the taxes required by law.¹

The IRS invests significant resources in enforcement activities and imposes strict penalties in an effort to close this “tax gap.” Meanwhile, the federal government continues to employ hundreds of thousands of employees who are directly contributing to the gap. A simple way for the federal government to reduce the tax gap would be to ensure its own employees are meeting their tax obligations.

A federal employee who fails to pay taxes should not continue to receive generous federal compensation

Many federal employees could experience significant financial difficulties due to furloughs. Those that do not, however, will continue to enjoy compensation that is significantly more generous than that of equivalent employees in the private sector. Perhaps some federal employees deserve to continue receiving this level of compensation due to the nature of their work. Federal employees with delinquent tax debt, however, should

¹ <http://www.irs.gov/uac/IRS-Releases-New-Tax-Gap-Estimates;-Compliance-Rates-Remain-Statistically-Unchanged-From-Previous-Study>

certainly not be among those who continue to enjoy this generous pay—especially when their fellow employees and citizens are enduring cutbacks due to sequestration.