

## **Amendment 2163 - To prohibit the Department of Defense from employing tax cheats.**

Millions of Americans send back portions of their hard earned wages to Washington every year, and many 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 agencies can help alleviate the need for these indiscriminate staffing cutbacks is to first remove from their payroll federal employees with seriously delinquent tax debt.

This amendment requires all federal employees to be current on their federal income taxes, and would allow for the termination of any worker with seriously delinquent tax debt. Additionally, any individual in debt to the government because of unpaid federal taxes would be ineligible for employment with the federal government.

**According to the Internal Revenue Service (IRS), 311,566 federal employees and retirees owe \$3.5 billion in federal taxes.<sup>1</sup>**

This 2011 figure represents an 11.5 percent increase in the delinquency rate of federal employees, while the previous year the rate also increased.

During this time of budgetary restraint federal agencies are looking for cost savings in order to avoid staff furloughs and reductions to important federal programs. The government should not spend scarce taxpayer dollars paying the salaries of federal employees failing to pay their taxes. Even more, the IRS should focus its efforts on addressing known tax evaders, not targeting political opponents.

This amendment would make ineligible for federal employment any individual who has a "seriously delinquent" tax debt defined as "an outstanding debt under the internal revenue code of 1986 for which a notice of lien has been filed in public records." Exceptions are made for tax debt being repaid pursuant to an agreement with the IRS and tax debt subject to a collection due process hearing. The amendment requires the Office of Personal Management to prescribe a regulation for carrying out the requirement including authorizing **each agency** to establish an appeal process for affected individuals.

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<sup>1</sup> "Number of Tax-Delinquent Government Workers Up 11.5%," *Bloomberg*, Richard Rubin, March 8, 2013, <http://www.bloomberg.com/news/2013-03-08/number-of-tax-delinquent-government-workers-up-11-5-.html>

### **Federal employees & retirees owe more than \$3.5 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.
- 155,305 were DOD civilian employees and retirees owing more than \$1.5 billion.

### **Consider the statistics:**

- In, 2011, 107,658 civilian employees (a 9.5 percent increase over 2010) at the Department of Defense owe more than \$1 billion in back taxes
- In 2011, Department of Defense civilian employees had a delinquency rate of 3.62 percent, up from 3.33 percent in 2010

### **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.

This amendment is more than fair. It carefully reaches only federal workers who have willfully neglected to pay their incomes taxes and excludes federal employees from suspension if there is a good faith effort on their part to pay up.

The amendment excludes federal employees from suspension if:

1. the individual is currently paying the taxes, interest, and penalties owed to IRS under an installment plan;
2. the individual and the IRS have worked out a compromise on the amount of taxes, interest and penalties owed and the compromise amount agreed upon is being repaid to IRS;
3. the individual has not exhausted his or her right to due process under the law (broad exception that references administrative or judicial remedies); or
4. the individual filed a joint return and successfully contends that he or she should not be fully liable for the taxes, interest, and/or penalties owed because of something that the other party to the return did or did not do.

This commonsense measure will stem the flow of irresponsible taxpayer funded employees who fail to pay their income taxes. Further, DOD is encouraged to establish a process allowing affected federal employees a full review before termination for owing back taxes.

**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.