

Coburn Amendment 753 — Prohibiting the Federal Government from Employing Individuals with Seriously Delinquent Tax Liability

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.

This amendment would prompt delinquent federal employees to either pay their federal income tax or face suspension without pay, so our country is not forced to further increase the national debt on their account by paying salaries without receiving tax revenue.

Reducing our national debt—which now exceeds \$17 trillion—is the most critical issues facing our nation. Our country simply cannot survive if we continue down this unsustainable course.

Savings—no matter how big or small—are necessary from all facets of the federal budget.

One area where Congress can make headway in is foregone federal revenue from delinquent federal employees.

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 Internal Revenue Code of 1986 allows the IRS to “garnish” the wages (salary or other income) of federal employees who are delinquent on their federal income taxes. A “garnishment” is the process by which the federal government collects a tax liability from the pay of an employee.

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 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.

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

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

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 (relevant in divorce cases).

This commonsense measure will stem the flow of irresponsible taxpayer funded employees who fail to pay their income taxes.