

Senators Coburn & Pryor Introduce Legislation Requiring All Federal Employees to Pay Federal Taxes

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 legislation 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.¹ 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 legislation 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 bill requires the Office of Personal Management to prescribe a regulation for carrying out the bill including authorizing each agency to establish an appeal process for affected individuals.

¹ "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.
- 141,980 were military and civilian retirees owing \$2.1 billion.

Consider the following examples:

- 2,552 employees at the Department of Justice owe more than \$20 million in back taxes
- The Department of Health and Human Services has a delinquency rate of 4.03 percent, as 3,454 employees owe the government \$44.6 million.
- 22,404 employees of the U.S. Postal service owe more than \$215 million in delinquent taxes.
- 2,453 employees of the Social Security Administration owe more than \$22 million in back taxes.
- The Smithsonian Institution's delinquency rate is more than 6.6 percent, as 328 Smithsonian employees owe more than \$3 million in taxes.

Washington should lead by example and immediately address congressional and White House employees with significant tax debt.

- As of 2011, 688 employees of the House of Representatives and the Senate owed more than \$10 million in taxes.
- Similarly, 40 employees in the Executive Office of the White House owe \$333,485 in unpaid federal taxes.

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 legislation 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 bill 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, the agencies are 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.