

Reprinted with permission from
CFO and Controller Alert.
Progressive Business Publications
370 Technology Drive
P.O. Box 3019
Malvern, PA 19355
1-800-220-5000

Past-due A/R: When all else failed, there's one more thing you could try

■ *Controversial collections approach uses spector of IRS to grease wheel*

Warning: This is not a collections technique for the faint of heart.

If you've run into a brick wall when it comes to collecting your money from a particular account there's one collector you may not have tried: IRS.

After all, an outstanding balance is a loss – and one that IRS will view as reportable income to the debtor.

Remind customers of that and you'd be amazed how those checks roll in, says credit-manager-turned-consultant Ben Ricci.

Yes it's legal, but it's also a risk

The premise: You send your most stubborn past-dues a letter reminding that you can issue them a 1099 at year-end for the outstanding balance (W-9 included for good measure).

Legal? Yes. Ricci has checked with CPAs and IRS field service reps, both of whom clear the practice. Only condition: You can't threaten anyone in IRS' name. You need to word letters so you say

you'll issue a 1099 "at your option," or something to that effect.

Risky? Slightly. It's straightforward if the mere mention of IRS gets those payments in your door.

But be prepared to follow through if you don't get the desired response. That's where the hassle-factor comes in: accounting adjustments, plus you relinquish your claim on that cash afterwards, etc.

Fortunately, evidence suggests the odds are in your favor that the initial contact alone will capture your cash.

Just ask Angela Tomassetti, controller at A.R. Fuels, Inc. She tried this with 25 of her most stubborn accounts – payments for 15 came in without as much as a follow-up call.

Info: You can go it alone or buy a package with instructions, a letter template and a W-9 for \$99.95. For more info, contact Ricci at 888-722-1611 or bricci@stevens-ricci.com