

# Department of Revenue Collection and Compliance Initiatives

August 24, 2012

## Summary.

The Department of Revenue (DOR) has implemented many initiatives to increase tax compliance among businesses and individuals by reducing delinquency and fraud. Voluntary compliance remains the preferred method of tax collection, but DOR has also upgraded the tools at its disposal to collect owed taxes that are not voluntarily remitted. In Fiscal Year 2011, DOR collected \$203 million in delinquent taxes.

DOR has increased its delinquent tax collections significantly in the past five years.

### Delinquent Tax Collections

FY 2011	\$202,667,879
FY 2010	\$192,917,684
FY 2009	\$153,135,812
FY 2008	\$140,023,322
FY 2007	\$141,289,567

## Tax Auditing, Compliance, and Processing Positions.

Auditors at DOR are generally brought on staff as part of a class. A year-to-year comparison is the best gauge to compare staffing among several years. The table below indicates the number of filled positions at the Department of Revenue in tax auditing, compliance, and processing in June of each year.

### Filled Positions in Tax Auditing, Compliance, and Processing

FY 2012	594.50
FY 2011	589.88
FY 2010	585.88
FY 2009	585.88
FY 2008	585.63
FY 2007	659.08

Although staffing levels decreased between 2007 and 2010, collections amounts significantly increased due to improved technology and efficiencies within the Department of Revenue.

## Profile of Delinquent Taxes.

Individual Income:	52.6%
Sales:	27.7%
Withholding	11.7%
Corporate:	6.5%
Miscellaneous:	1.6%

\*Sum does not equal 100% due to rounding.

## **Recent Collection Initiatives.**

Among the highlights of collections initiatives the Department has implemented are the following:

- **Intensive Collection of Delinquent Business Accounts.**

DOR's Intensive Collection Effort (ICE) project began in September 2008. This program entails Revenue Agents being assigned to intensively work out-of-state business accounts within the first six months of delinquency rather than assigning those accounts to a private collection agency. Since implementation, collections have increased from \$10.0 million in Fiscal Year 2009 to \$15.8 million in Fiscal Year 2011.

- **Delinquent Taxpayer Website.**

Internet posting of delinquent businesses and individual taxpayers continues to be an effective mechanism to improve collections since the Legislature's establishment of the website in 2006. When the Legislature lowered the threshold for posting from delinquencies greater than \$25,000 to delinquencies greater than \$5,000, collections further improved. Since the threshold was lowered in 2008, collections enabled by the website have ranged between \$17 and \$31 million.<sup>1</sup>

- **Financial Records Matching.**

Implementation of the Financial Record Matching project began in February 2010. DOR contracts with a vendor who matches DOR's debtor data with bank account records to identify accounts of delinquent taxpayers. This has dramatically improved DOR's ability to levy bank accounts of delinquent taxpayers. DOR levied \$17.7 million in Fiscal Year 2009 and more than doubled that total to \$35.4 million in Fiscal Year 2011, thanks to this initiative.

- **Wage Certification Matching.**

Since Fiscal Year 2010, DOR has electronically matched its debtor file to the Department of Workforce Development's employer file to enable more accurate and efficient wage garnishments of delinquent taxpayers. In Fiscal Year 2009, prior to this electronic matching, DOR collected \$16.8 million. Since implementation, collections have grown to \$28.3 million in Fiscal Year 2011.

## **Additional Background.**

DOR estimates that approximately \$940 million in delinquent taxes exist. However, the majority of delinquent taxes are not collectable as a practical matter. Deceased individuals, bankrupt businesses, and individuals who have left the state are some examples of why not all delinquent taxes are collectable. In many cases, those owing delinquent taxes do not have any assets to place a lien on or seize. DOR believes that approximately \$340 million of delinquent taxes are collectable as a practical goal and continues to strive to improve collections. DOR collects more than \$200 million of this amount every year.

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<sup>1</sup> Variation in collection occurs because the size of tax debt that each delinquent taxpayer owes varies. For example, settling a delinquency of \$500,000 has a greater fiscal effect than settling a delinquency of \$5,000; even though each case only represents one delinquent taxpayer account.