

2015-17 Phase 2 Budget Discussion

Joint Committee on Ways & Means
Subcommittee on General Government

April 29, 2015



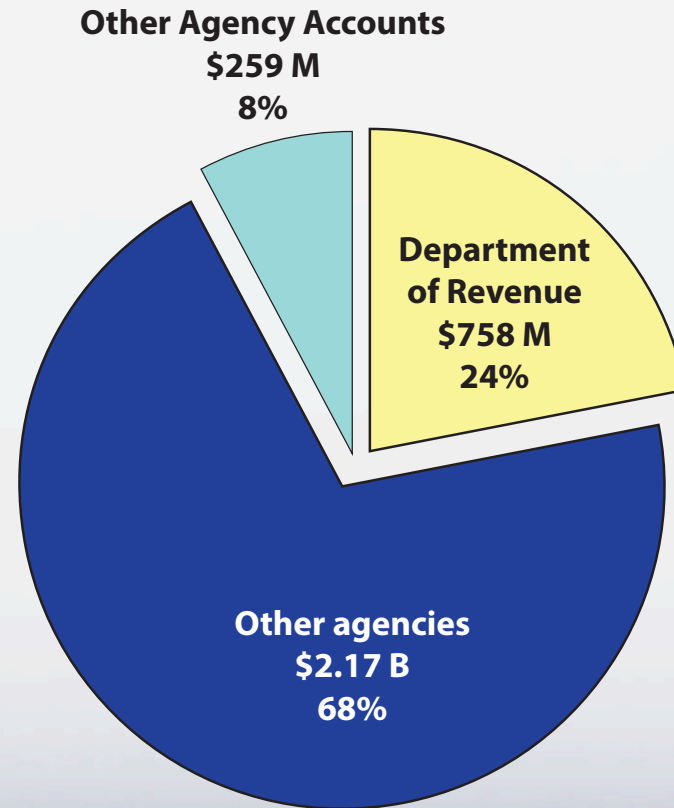
LFO's Report on Liquidated and Delinquent Accounts Receivable

Top 10 agencies by debts owed (General Fund and Other Fund)

Agency	Accounts	Total outstanding	Average account	Percent of total
Judicial Department	1,672,792	\$1,497,999,401	\$896	46.94
Department of Revenue	141,296	\$757,698,383	\$5,362	23.74
Justice Department	573,495	\$412,380,043	\$719	12.92
PERS	23,912	\$158,207,113	\$6,616	4.96
Employment Department	53,006	\$147,095,174	\$2,775	4.61
Oregon University System	32,734	\$70,989,144	\$2,169	2.22
Department of Consumer and Business Services	5,028	\$54,700,863	\$10,879	1.71
Oregon Health Authority	12,843	\$34,067,833	\$2,653	1.07
Department of Transportation	4,458	\$13,307,636	\$2,985	0.42
Department of Human Services	3,318	\$11,787,957	\$3,553	0.37
Other agency, board, commission debt		\$33,342,640		1.04
		\$3,191,576,187		100%



Liquidated and delinquent balances Revenue collects

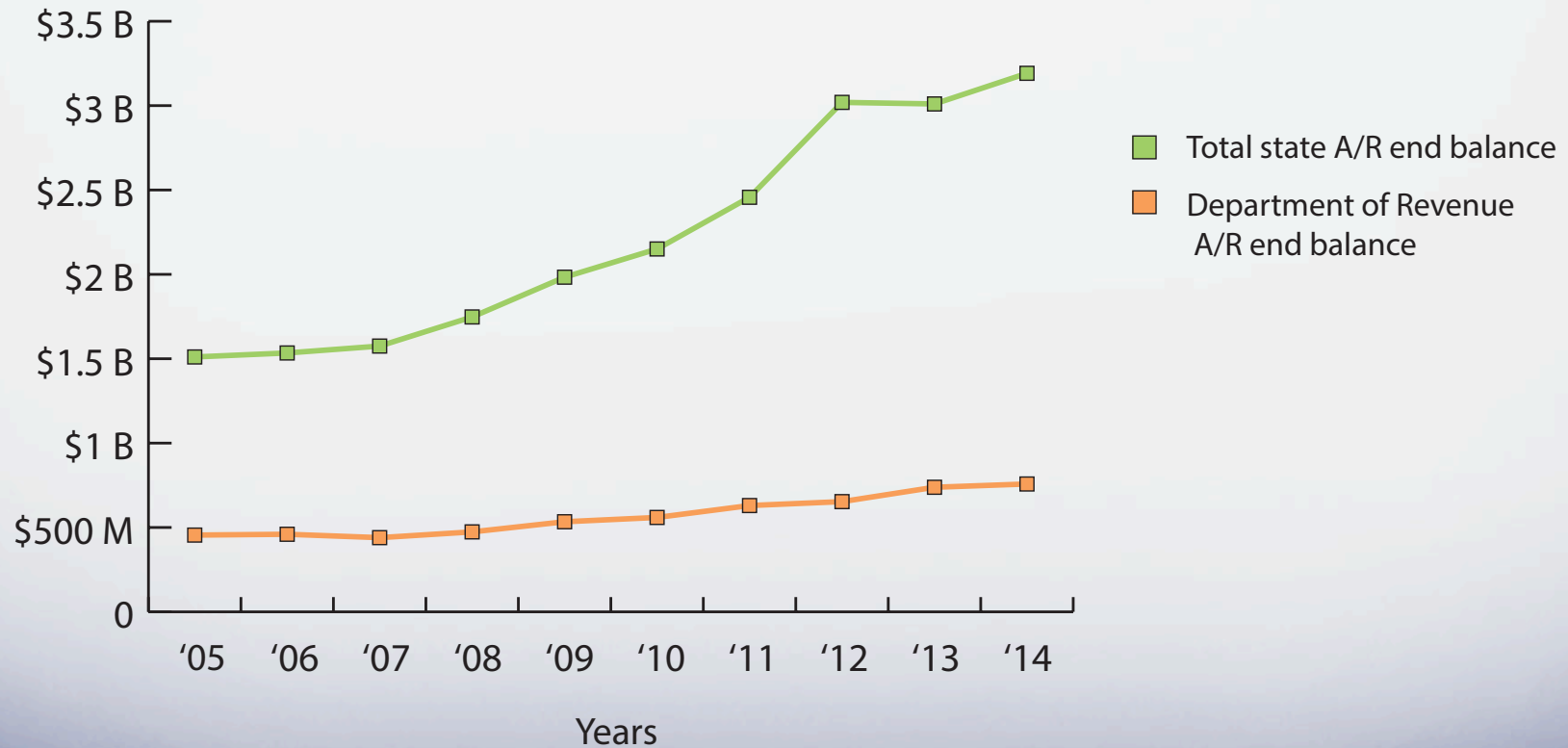


Total state accounts receivable = \$3.19 B

Source: LFO Report on Liquidated & Delinquent Accounts Receivable, FY 2014



Accounts receivables balances over past 10 years



Source: LFO Report on Liquidated & Delinquent Accounts Receivable, 2005-2014



Definitions of “liquidated” and “delinquent”

LFO Liquidated and Delinquent Report

Liquidated debt –An amount owed where the agency:

- Has established an exact past due amount owing (i.e. expired appeal rights);
- Has made a reasonable attempt to notify debtor in writing of amount owing, the nature of the debt, has requested payment; and
- Has issued a distraint warrant.

Delinquent debt—Any receivable that is 30 days or more past due.



Other Agency Accounts (OAA)

- Created in 1971.
- Currently, about 180 customers, including:
 - Other state agencies.
 - Courts.
 - Oregon Health Sciences University.
 - Variety of boards and commissions.
- 2013-2015 biennial collection goal: \$110 million.
Average monthly collections: \$4.25 million.
- Biennial budget of \$12 million received from customers.
- Scheduled for CSR implementation Fall 2016.



Other Agency Accounts (OAA)

Other agency accounts		
Type of agency	Total debt assigned as of 6/30/2014	Total payments collected in FY 2014
Judicial Department	\$218,563,000	\$21,889,000
OHSU/PERS	\$57,734,000	\$4,573,000
Higher education	\$29,746,000	\$6,850,000
Corrections	\$16,876,000	\$1,789,000
Business	\$11,490,000	\$834,000
Total	\$334,409,000	\$35,935,000
Offset only total	\$2,375,000,000	\$13,580,000

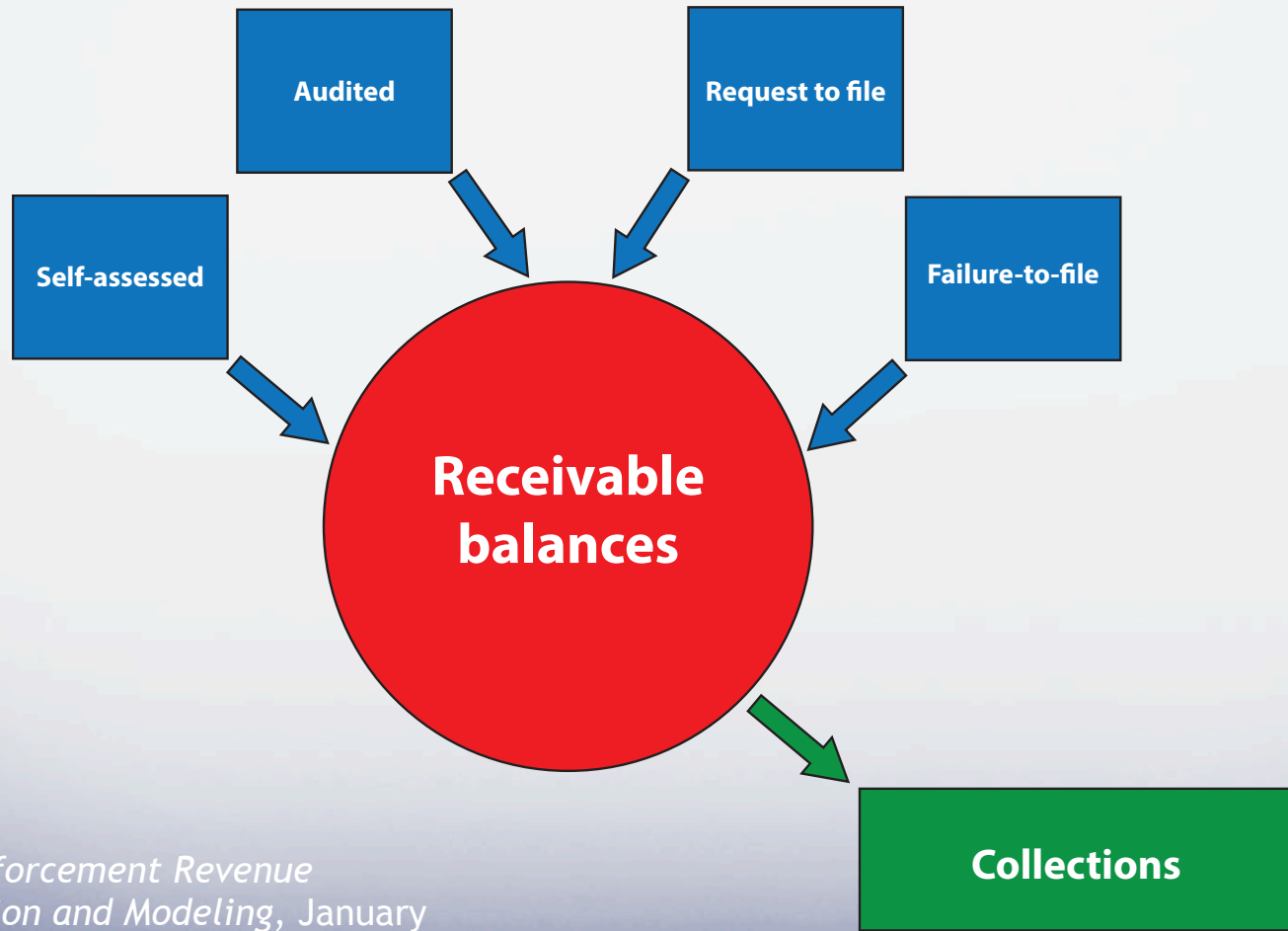


Other Agency Accounts (OAA)

- Agencies may pass cost of using private collection firms (PCF) to debtor.
- Few agencies have a provision for passing OAA fee to debtor.
- OAA must return debt to the assigning agency sooner than PCFs.
- Until recently, OAA didn't have tools to collect from out-of-state debtor.
- Historically, PCFs have been able to invest in more third-party database tools.

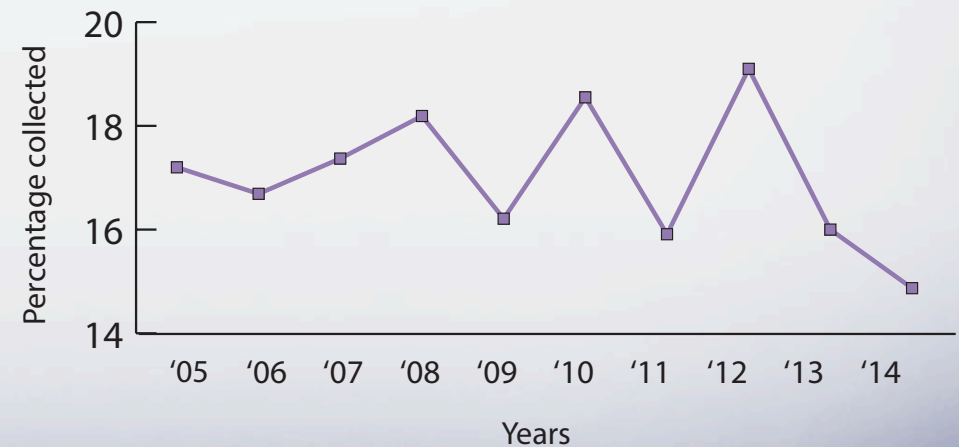
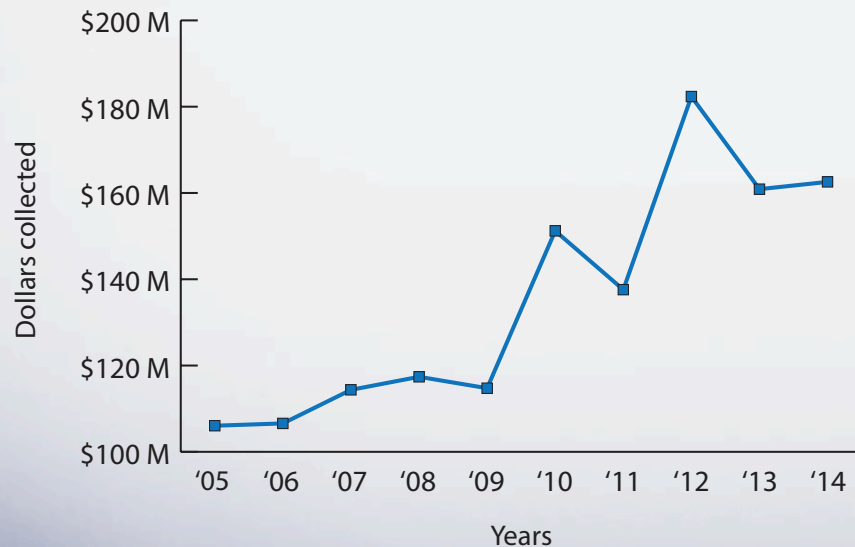


Enforcement Revenue relationship to accounts receivable and collections



Source: *Enforcement Revenue Identification and Modeling*, January 2012

DOR collections in dollars and percentage

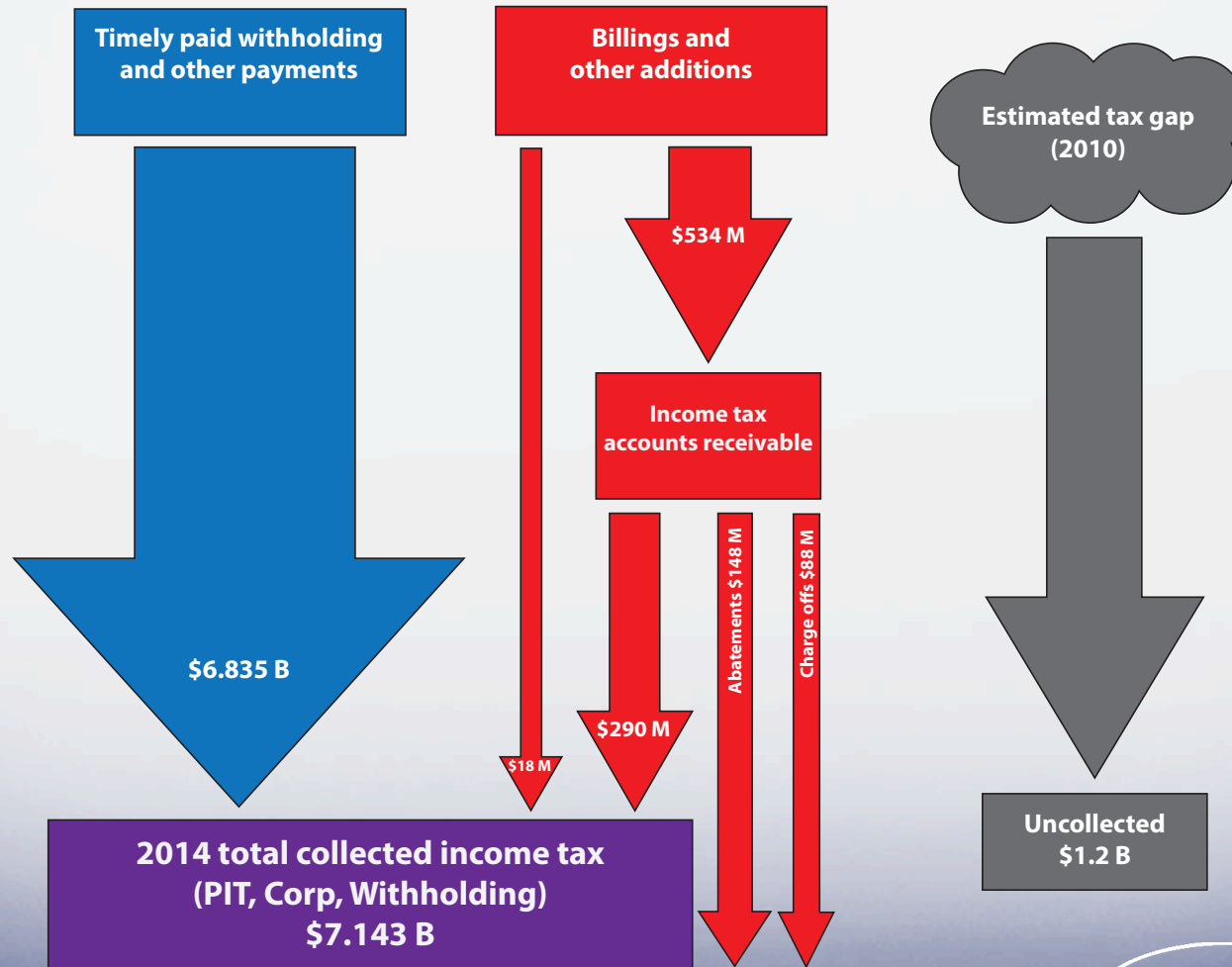


Source: LFO Report on Liquidated & Delinquent Accounts Receivable, 2005-2014

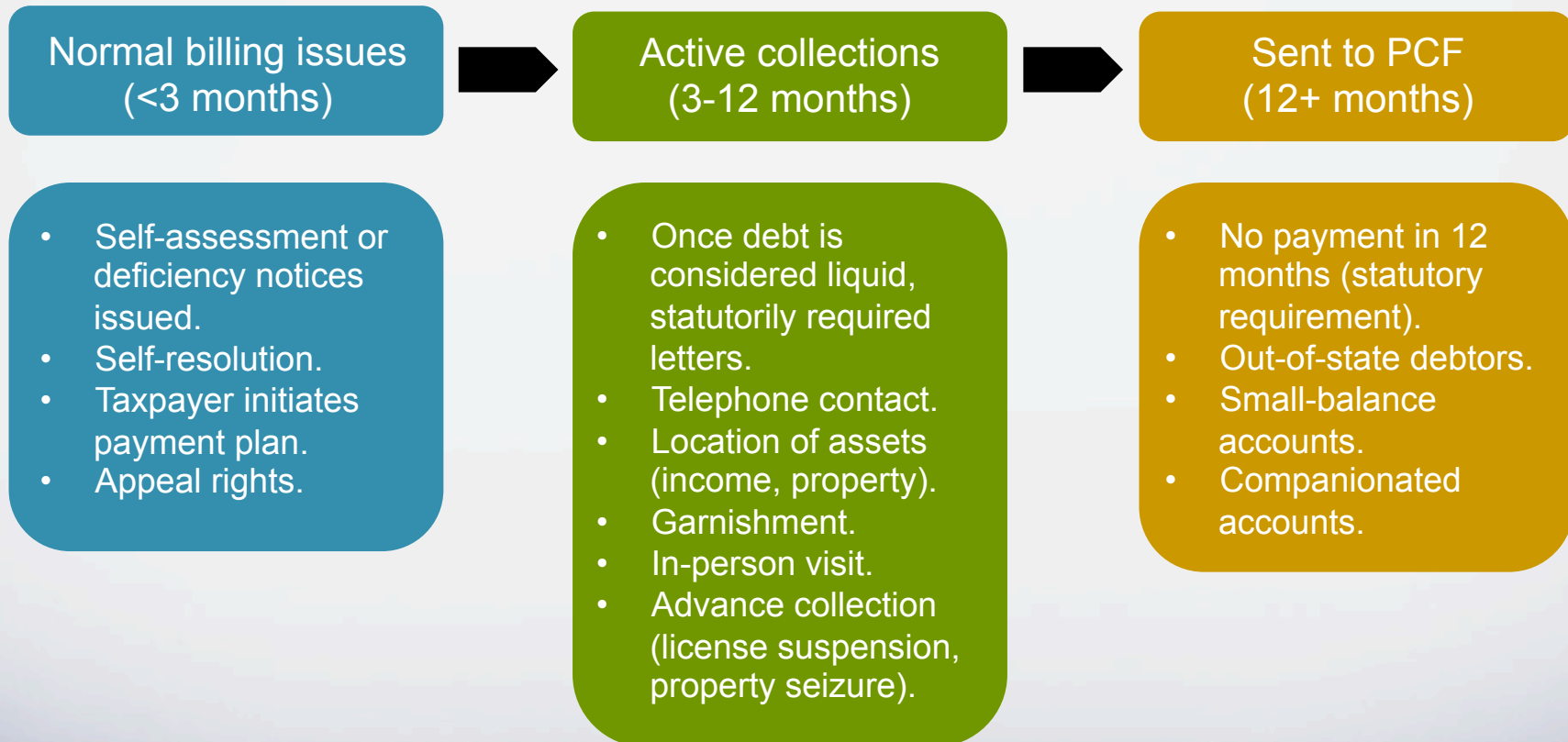
150-800-550 W&M Phase 2 (4-15)



How accounts receivables differ from the tax gap



How does DOR collect the debt?



Collections overview

Step One: Liquid and Delinquent.

Step Two: Demand for Payment.

Step Three: Distraint Warrant.

Step Four: Notice of Intent to Offset.



Collections overview

Statutory tools to resolve debt:

- Payment plans.
- Active collections.
- Settlement offers.
- Write-offs.
- Cancellations.
- Abatements.



Collections overview

Payment plans

- Taxpayer Bill of Rights.
- Can be set up online.
- Automatic up to 12 months.
- Extended payment plans available.
 - Financial situation review.
 - Manager approval.



Collections overview

Active collections

Occurs when TP doesn't engage with us.

OR

When TP breaks a promised payment plan.



Collections overview

Active collections

- Notice of Garnishment.
 - Wage garnishment.
 - Bank garnishment.
- Treasury Offset Program (TOP)/State Income Tax Levy Program (SITLP).
- State reciprocal offset (federal vendor offset).
- Referral to a Private Collection Firm (PCF).



Collections overview

Advanced active collections

- Till-taps.
- Personal property seizures (vehicles, safe-deposit boxes, etc.).
- Stock sales.
- License suspension
 - Notice of Intent to Suspend.



Collections overview

Settlement offers

- TP has no assets or ability to borrow against assets.
- Generally difficult debt to collect.
- Good-faith down payment required.
- Future compliance required.
- Agreed upon debt cancelled upon completion of terms.



2014 Accounts receivable adjustments

Write-off (ORS 293.240)

1. No assets located in three years.
2. No payments received in three years.
3. No correspondence received in three years.
4. Taxpayer not deceased.
5. No liabilities older than seven years.

\$12.9 million in debt written off.

Cancellation (ORS 305.155)

1. Tax has been delinquent seven or more years.
2. All reasonable efforts have been made to collect.
3. Taxpayer can't be located or is deceased.
4. The tax is wholly uncollectable.

\$75.1 million in debt cancelled.

Abatement

1. "True returns" filed after a filing enforcement action.
2. Penalty waived to encourage future voluntary compliance.
3. Successful taxpayer appeals or settlements.
4. Amended returns reducing liability.

\$148.2 million in debt abated.

Source: DOR Personal Income Tax program



Recent legislative action

As part of our biennial review process, we bring ideas forward as we identify them. (ORS 305.170)

- 2013 Legislation:
 - SB 183—Notices sent by electronic means.
 - SB 184—Garnishments sent by regular mail.
 - SB 185—Garnishments not signed by hand.



Future legislative action?

Concepts being requested for current legislature

- Fraud POP.
- Real-time Withholding match POP.

Concepts being developed for future legislatures

- Financial Institution Data Match.
- New-hire reporting.
- Electronic garnishments.



Collections Section: strategies and measures

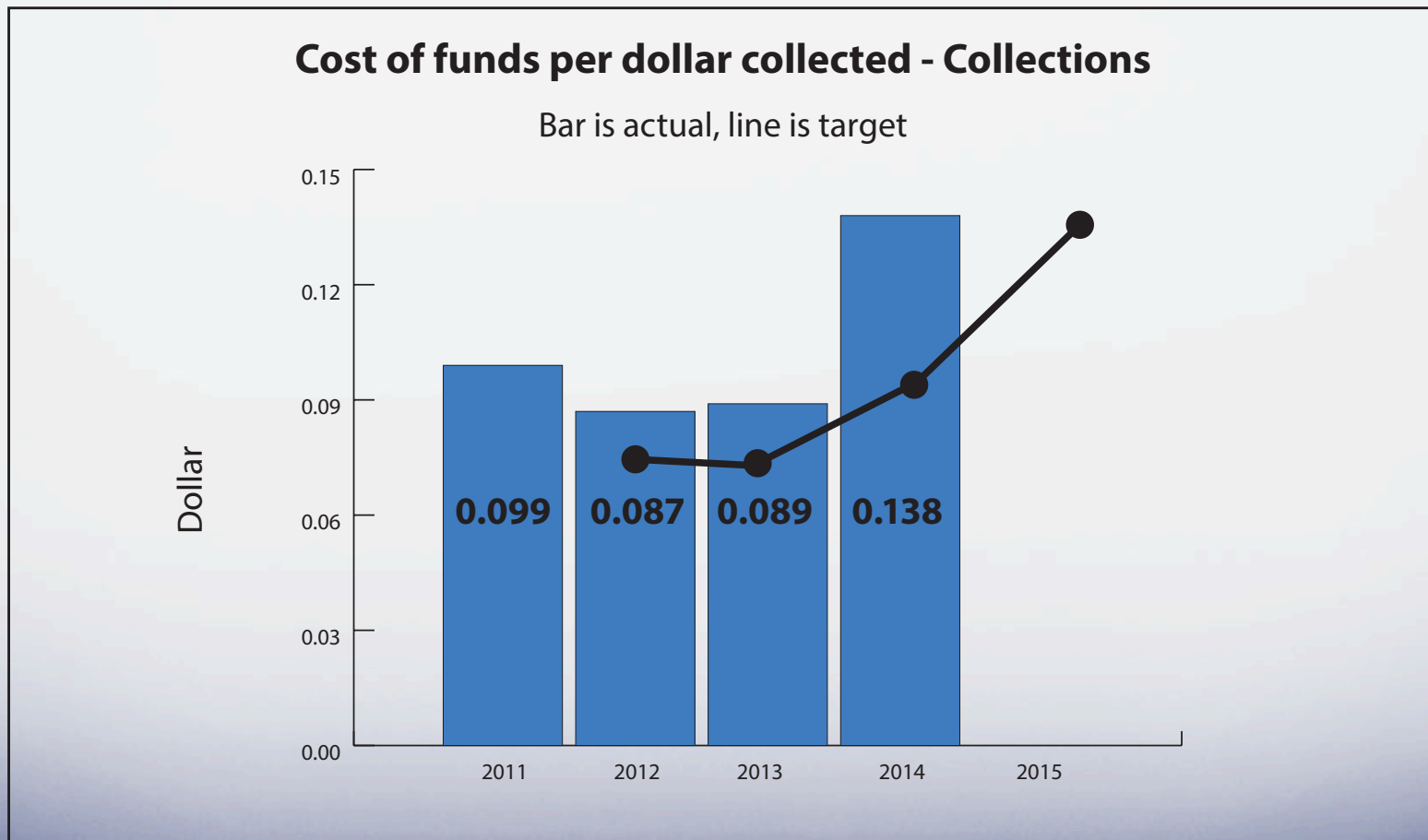


Current Strategies

- Work new liabilities sooner.
- Partnering with our Research Section to approach “old” debt in new ways.
- Redeployment of staff to increase efficiencies & take advantage of opportunities to connect with taxpayers.
- Reaching & maintaining full staffing.
- Addition of third Private Collection Firm.



KPM 17—Collection Cost of Funds

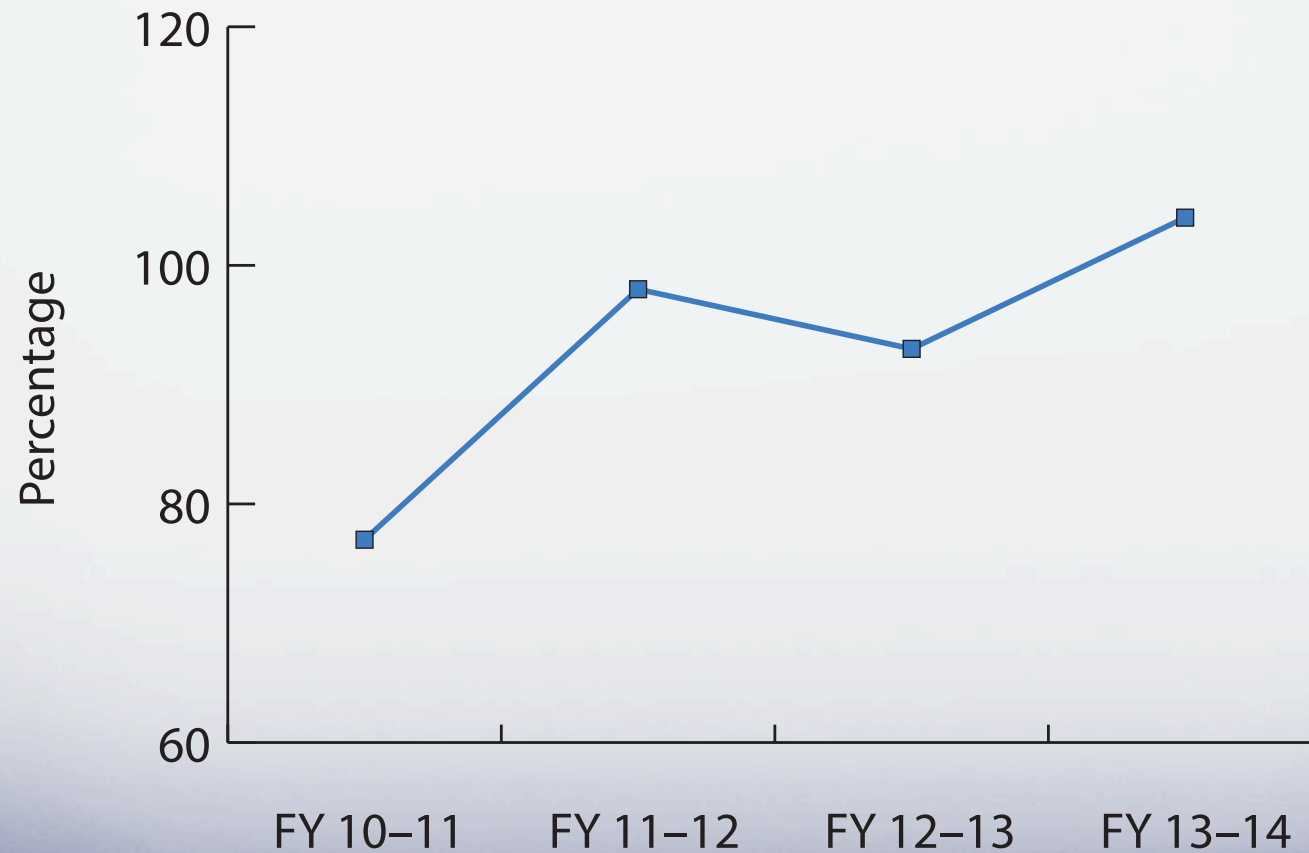


Source: DOR Personal Income and Corporation tax programs

150-800-550 W&M Phase 2 (4-15)



Ratio of debt resolved vs. added



Source: DOR Personal Income and Corporation tax programs

150-800-550 W&M Phase 2 (4-15)



Future

- Use data & analytics to measure the efficacy of collections tools.
- Use GenTax to ensure the appropriate actions are taken on liabilities in a timely manner.
- Use data & analytics for account scoring, deployment of advanced collections tools, and using PCF partners effectively.
- Use automation opportunities to allow staff to focus on collection activities that require a “human touch.”
- Create more opportunities for taxpayers to be self-sufficient in resolving tax debt.



How can the Legislature help Revenue?



Questions?

If you have additional questions after today please contact:

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