

Department of Revenue Collections Reports

Joint Committee on Ways & Means
Subcommittee on General Government

February 10, 2016



State Reciprocal Program (SRP)



Treasury Offset Program

The U.S. Department of Treasury's Treasury Offset Program (TOP) is made up of five distinct programs.

- State Income Tax Program (SIT).
- State Reciprocal Program (SRP).
- Unemployment Insurance Compensation Program (UIC).
- Child Support Program.
- Supplemental Nutrition Program.



Comparison of SIT and SRP

	SIT	SRP
Oregon participation	Since 2002.	Since Dec. 2015.
Type of offset	Administrative	Vendor
Process	Federal tax refunds offset to state income tax debt.	Reciprocal: Federal vendor and other non-tax payments offset to state agency debt. State vendor and other non-tax payments offset to federal agency debt.
Notice requirements	Certified mail. 60 days to pay in full.	Regular mail. 60 days to pay in full.
Location	Must have an Oregon address in both our system and SIT's system.	Oregon address not required in SIT's system.
Offset fee	\$22, passed on to debtor.	\$15, passed on to debtor.



SRP Return on Investment

State name	Offset count	Net collection amount
District of Columbia	3,749	\$4,410,201
Kansas	343	\$452,323
Kentucky	4,389	\$10,441,007
Louisiana	1,235	\$1,533,720
Maryland	4,089	\$5,418,325
Minnesota	1,070	\$2,814,729
New Jersey	3,086	\$8,553,415
New York	4,824	\$6,117,416
Virginia	1,035	\$1,766,172
West Virginia	922	\$682,828
Wisconsin	739	\$1,323,812
Total	25,481	\$43,513,947

SRP in 2016

- As part of Rollout 2 of our Core Systems Replacement (CSR) project, we added the required due process notification to our notices so we can use SRP.
- Taxpayers already certified for the SIT program are automatically included in SRP.
- Rollout 3 and OAA.
- DAS, ODOT, and Revenue pilot project for interagency vendor offset for the state.
- SB55: Requires notification if Social Security numbers may be used for debt collection.
- Revenue will track SRP revenues.



Questions?

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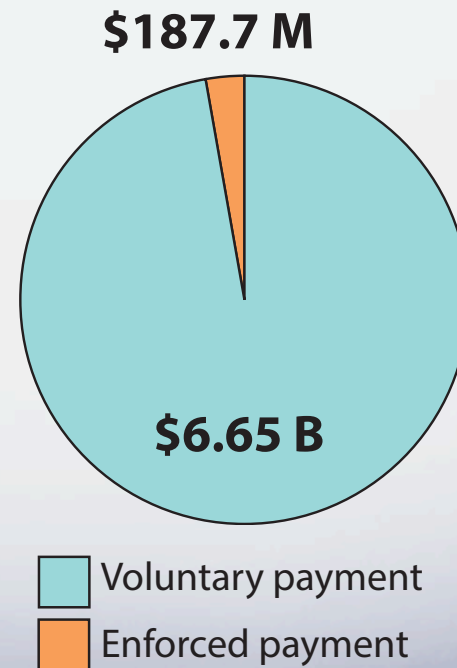
Write-off and Cancellation



The Importance of Voluntary Compliance

- Vast majority of tax dollars we collect are paid voluntarily.
- Goal to make it easy for taxpayers to file and pay voluntarily.
- Enforcement activities are important because they improve compliance.

Voluntary versus enforced payments
FY 2014 (PIT)



Collections Process

- Starts with taxpayer receiving an initial bill.
- If not paid in full, we contact taxpayer and request full payment.
- If they don't pay in full or set up a payment plan, we move on to enforced collections, usually some form of garnishment.
- After one year without payment, debt usually moves to a private collection firm.
- If we haven't made progress toward collecting a debt after three years of collection activities, we begin the write-off process.



Write-off

- For both public and private sector businesses, write-off is both an accounting practice and a decision to cease active collections.
- Goals of write-off:
 - Prioritize collector work.
 - Accurately represent balance sheet.

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.

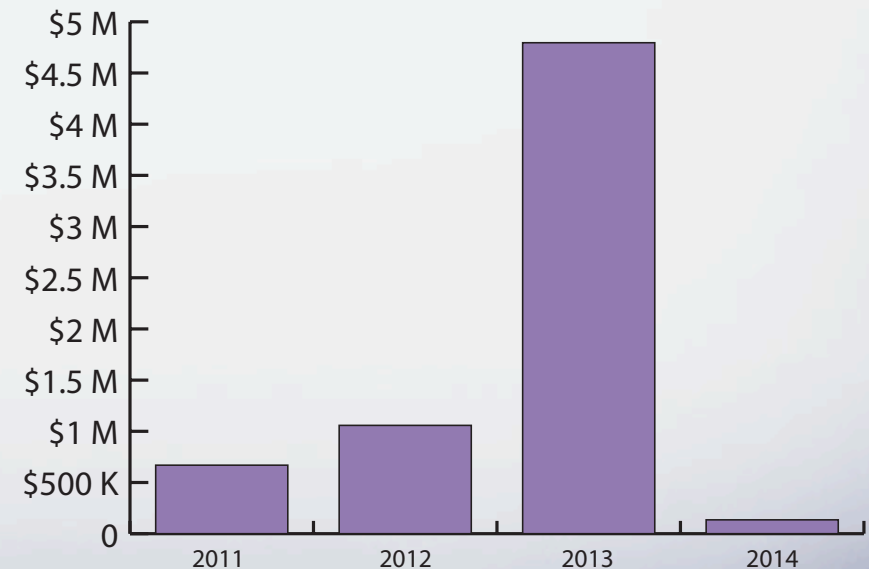
\$7.6 million in debt written off since the beginning of 2011.



Write-off

- 2013 tax compliance policy option package:
 - Aimed at reducing accounts receivables and increasing collection activity on “active” debt.
 - Initiated a project to “sanitize our accounts receivables” (SOAR).
- After debt is written off, there are two potential outcomes: reinstatement or cancellation.

Write offs by fiscal year (PIT)



Reinstatement

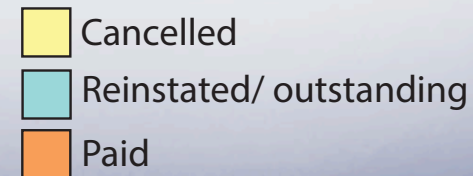
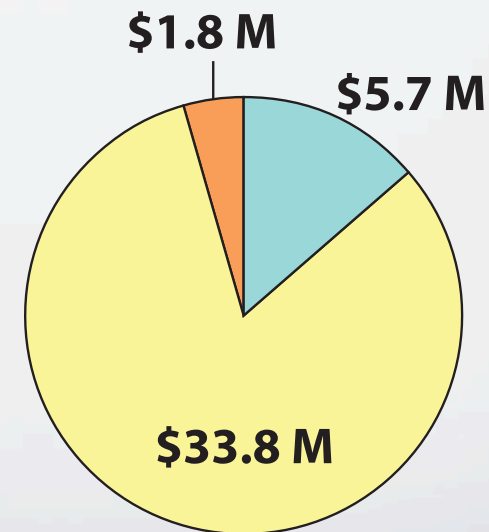
- Our legacy system alerts an analyst if information warranting reinstatement is added to an account in write-off status.
 - Name change.
 - Address change.
 - Payment received.
 - Wages reported.
- GenTax can automate write-off and reinstatement actions, depending on the business rules we choose to adopt.
- Annually, approximately 10-20 percent of write-offs are reinstated.



Reinstatement

- Reinstatements don't necessarily result in collection dollars.
- Since 2007, we've collected approximately 4 percent of total debt initially written off.

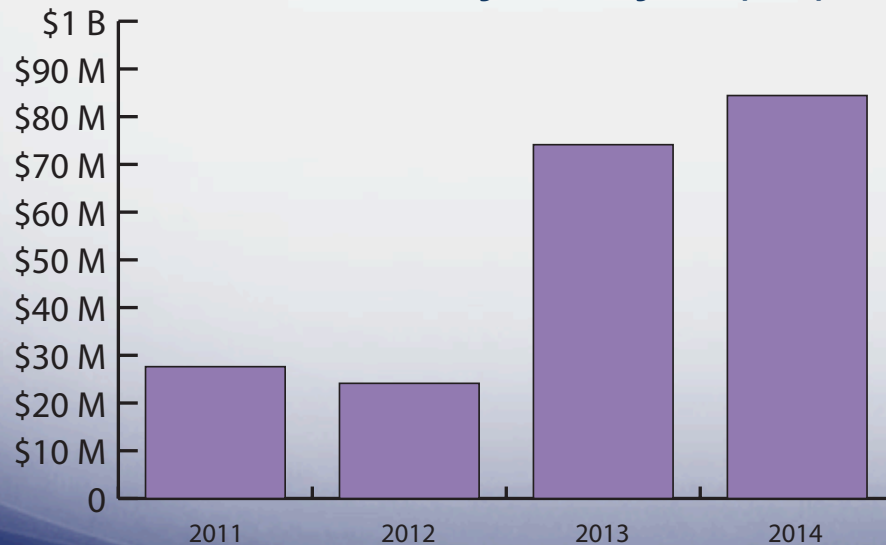
What happens after write-off (PIT, since Jan. 2007)



Cancellation

- Unlike write-off, cancellation permanently removes a debt from our balance sheet.
- Standards for cancellation are much higher than for write-off.

Cancellations by fiscal year (PIT)



Cancellation (ORS 305.155)

1. Delinquent seven or more years.
2. All reasonable efforts to collect have been made.
3. Taxpayer can't be located or is deceased.
4. Tax is wholly uncollectible.

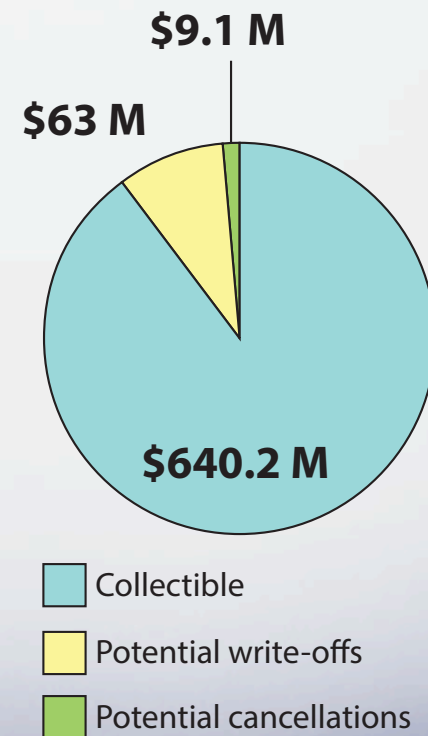
\$233.6 million in debt cancelled since the beginning of 2011.



Evaluating the Inventory

- Approximately 90 percent of the debt should remain in collections.
- Approximately 9 percent could be written off and 1 percent could be cancelled.
- We typically focus on collecting newer debt, which creates backlog of accounts eligible for write-off or cancellation.

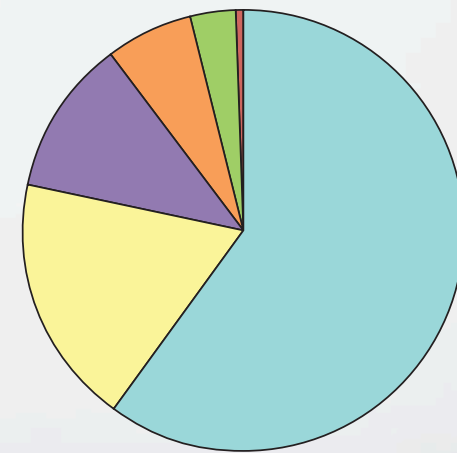
Estimating the inventory



Older Debt

- Substantial amounts of older debt to write-off.
- More efficient to use resources in collections until GenTax rollout, because of impending automation.
- More than 60 percent of the debt the department would like to write-off or cancel is from tax year 2007 or earlier.

Tax years of debt targeted for write-off or cancellation (PIT)



Improvements Underway

- GenTax automation.
- State Reciprocal Program (SRP).
- Increased use of data.
- Improved case prioritization (debt scoring).
- Financial institution data match (FIDM).
- Employer new hire reporting.
- Public notification of delinquent debtors.
- Reevaluation of write-off criteria.
- Increased use of advanced collection tools.
- Becoming an A/R-driven organization.



Questions?

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Audit Selection Process



Agenda

- Background.
- Case selection philosophy.
- Metrics.
- Benefits of GenTax.
- Future.

Background

- Pre-audit case selection.
- Audit staff.
- Resource Allocation Plan.

TAE (10 FTE)

TA1 (66 FTE)

TA2 (60 FTE)

Complexity and resource requirement

Single issue

Credits
Subtractions
Alimony

Complex issue

Employee business expenses
Casualty loss
Net operating loss

Business

Schedule C (Small business)
Schedule E (Rentals)
Schedule F (Farm)

Entity audits

Schedule C business
S corporation
Partnership
Domestic C corporation
Multistate C corporation
International C corporation

Time to complete

Up to two
months

Up to three
months

From three months
to a year or more

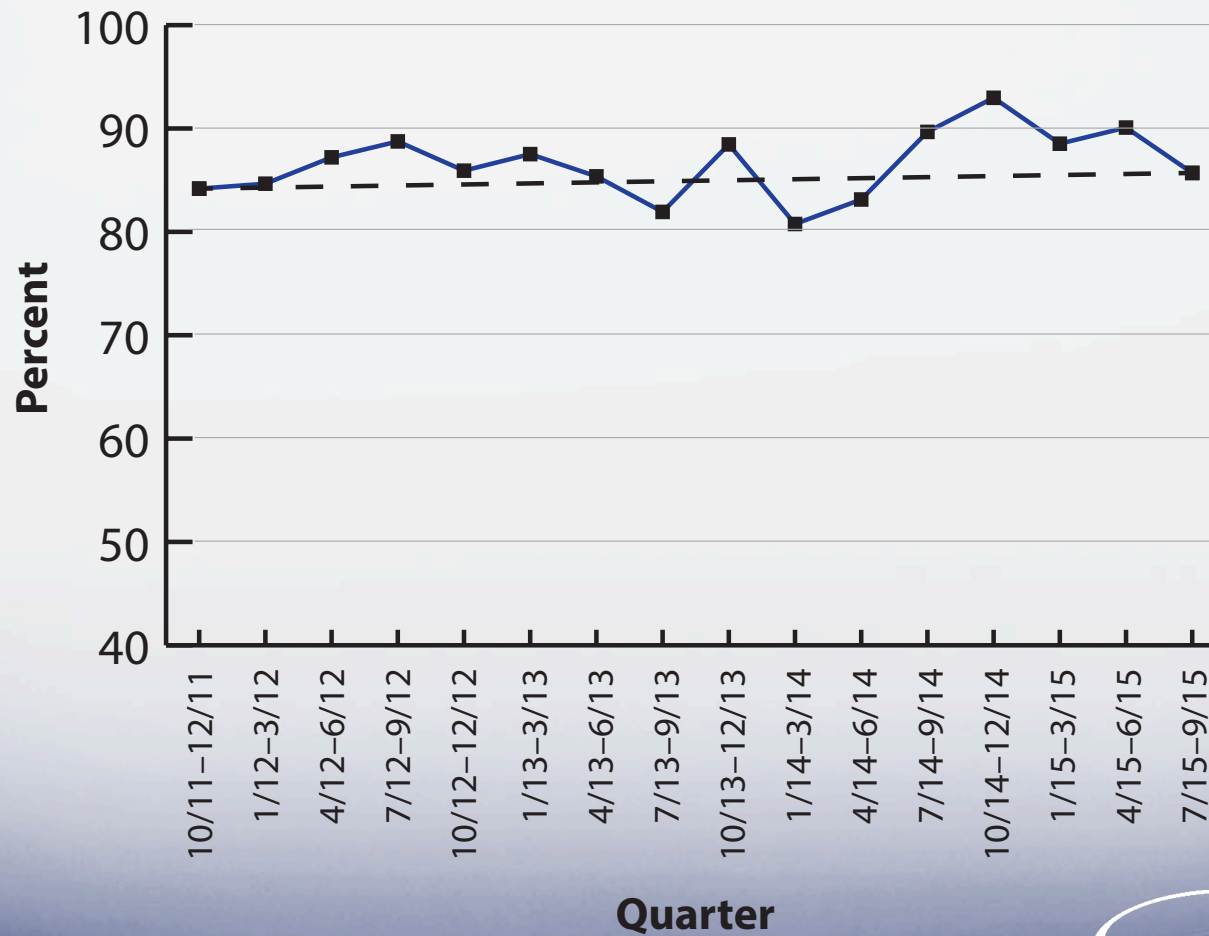


Case Selection Philosophy

- Voluntary compliance.
- Correcting adverse behavior.
- Fair and balanced.
- Centralized selection.
- Differences between programs.



Audit Change Rate



Benefits of GenTax

- Data warehouse.
- Discovery system.
- Scoring.
- Reporting.



Future

- Better queries.
- Better metrics.
- Better scoring model.
- Smarter audit case selection.



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Enterprise cash management



Agenda

- Payment options.
- Processing time.
- Payment volumes.
- System efficiencies.
- Review.
- Future.



Payment Options

- Cash.
- Check and money order.
- Electronic payments.
 - Automated Clearing House (ACH) payments.
 - Credit card.



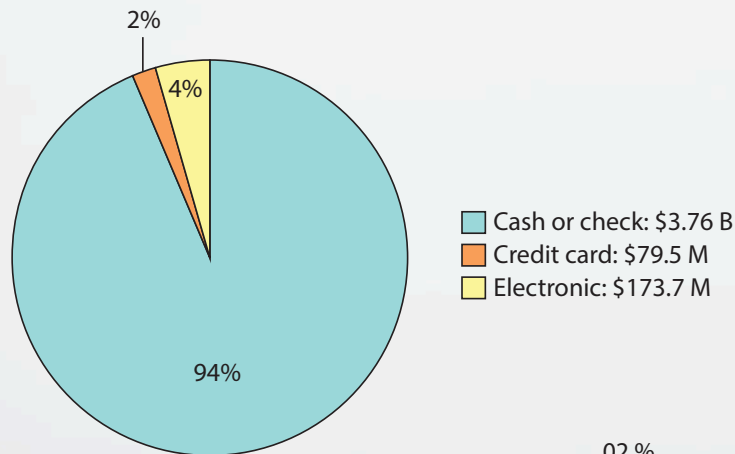
Processing Time

- Cash and check payments made in person—24 hours.
- Payments received by mail—24-48 hours.
 - Exceptions: tax season and voucher issues.
- Electronic payments—two banking days (initiated and settled).

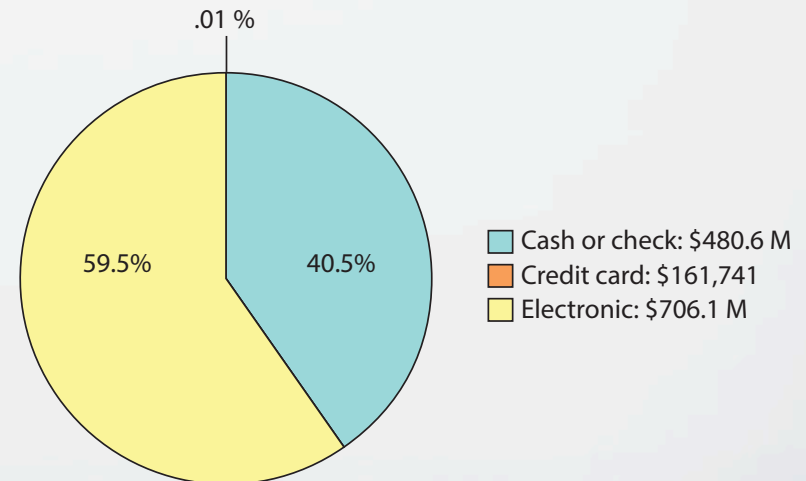


Payment Volume and Type (2013-15 biennium)

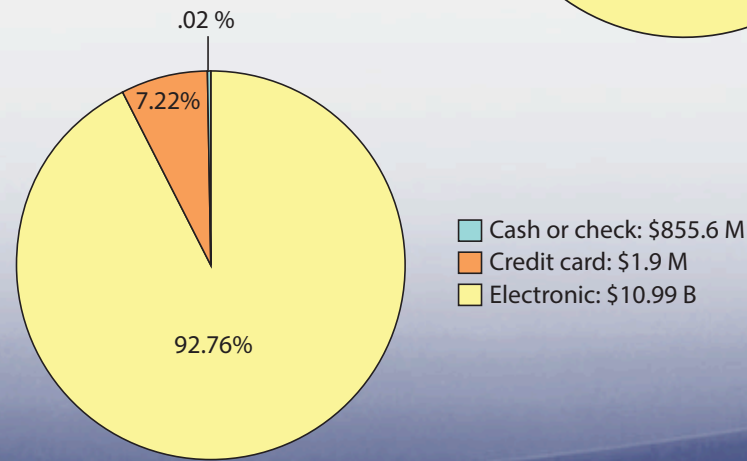
Personal income tax



Corporation tax



Combined payroll



System Efficiencies

- High-speed scanning of all incoming returns and payments.
- Less manual steps in work flows.
- Increased volume of automated same-day deposits.
- Payment processing first. Payment research second.
- Automated system reporting.
 - Work volumes.
 - Performance measures / metrics.



Review

- With automation comes process flow and resource review.
- Increased payments.
- Increased unidentified payment research.
- Increased entries to reconcile on daily banking reports.
- Statutory changes.



Future

- Refined payment processing with Lifecycle Project enhancements and GenTax implementation.
- Better data for reporting on payment processing and evaluating work processes.
- Ongoing review of processes to gain efficiency.
- Continue offering flexible payment options for all taxpayers.



Questions?

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