

# Department of Revenue Days 3 and 4: Collections

Joint Committee on Ways & Means  
Subcommittee on General Government

May 3-4, 2017



# “Liquidated and delinquent”

**Liquidated debt:** An amount owed where DOR:

- Has established an exact past due amount owed (i.e. expired appeal rights);
- Has made a reasonable attempt to notify debtor in writing of amount owed and the nature of the debt, and has requested payment; and
- Has issued a distraint warrant or has met the conditions to issue warrant (i.e. 30 days after written demand to pay).

**Delinquent debt:** Any receivable that is past due.



# LFO report

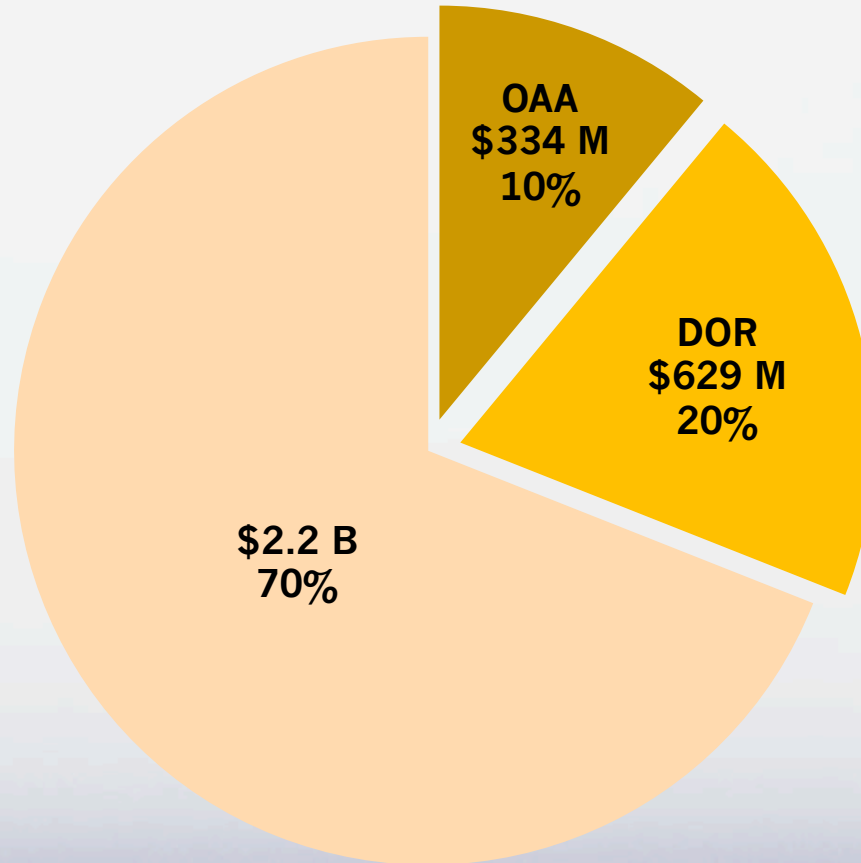
## Top 10 agencies by total outstanding receivables, 2016

Agency	Accounts	Total outstanding	Average account
Judicial Dept.	1,653,488	\$1,626,050,392	\$983
Dept. of Revenue	113,204	\$629,451,807	\$5,560
Justice Dept.	598,620	\$397,461,171	\$664
Oregon Health and Science University	129,771	\$179,899,635	\$1,386
Employment Dept.	52,697	\$161,827,327	\$3,071
Public Employees Retirement System	19,795	\$71,875,657	\$3,631
Dept. of Consumer and Business Services	3,956	\$59,070,433	\$14,932
Dept. of Human Services	13,678	\$35,329,341	\$2,583
Western Oregon University	7,685	\$19,687,649	\$2,562
Oregon Health Authority	3,718	\$19,649,572	\$5,285

Source: LFO Report on Liquidated & Delinquent Accounts Receivable, FY 2016



# Balances Revenue collects

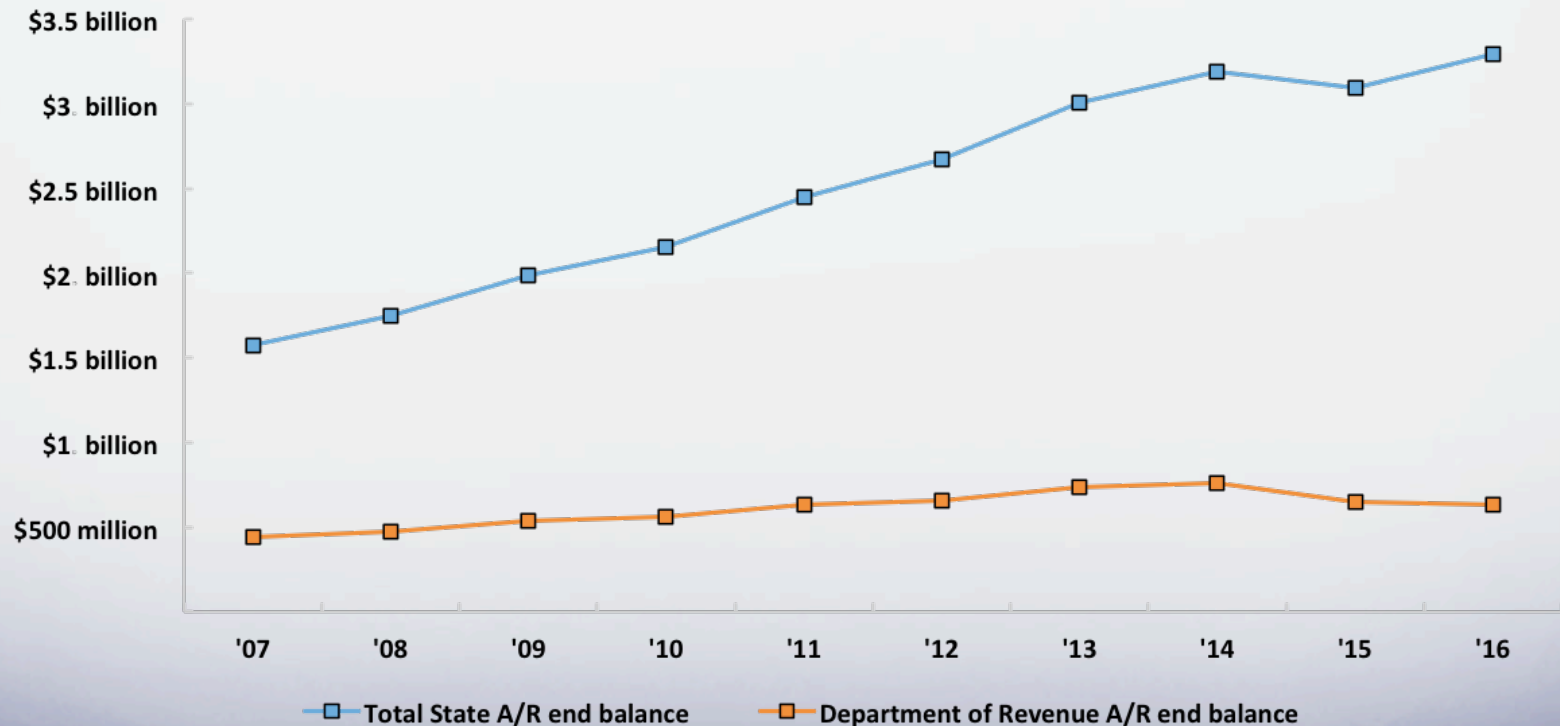


**Total state accounts receivable = \$3.3 billion**

Source: LFO Report on Liquidated & Delinquent Accounts Receivable, FY 2016



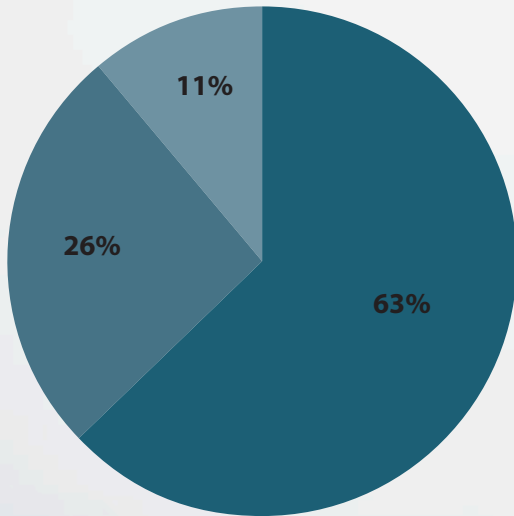
# Accounts receivables balances over past 10 years



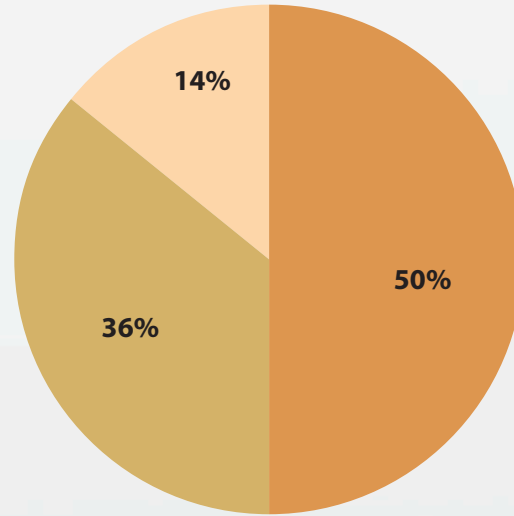
Source: LFO Report on Liquidated & Delinquent Accounts Receivable, FY 2007-2016



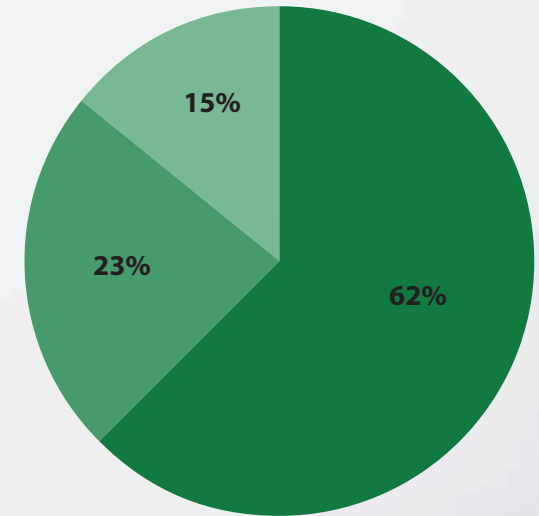
# Composition of accounts receivable



- Personal income taxes
- Withholding
- Corporate taxes



- Failure-to-file assessments
- Other (mostly self-assessments)
- Audits



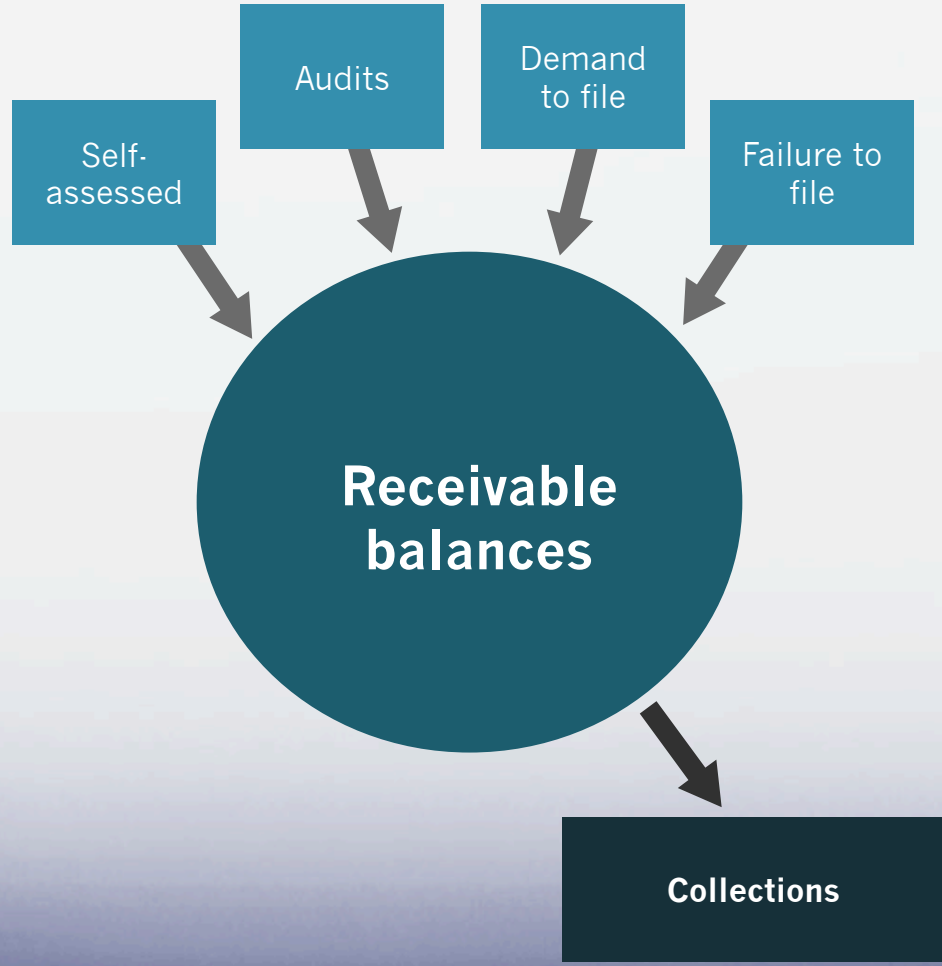
- Tax
- Penalty
- Interest

Source: DOR Research Section  
As of February 2, 2017

150-800-550 W&M Collections (5-17)

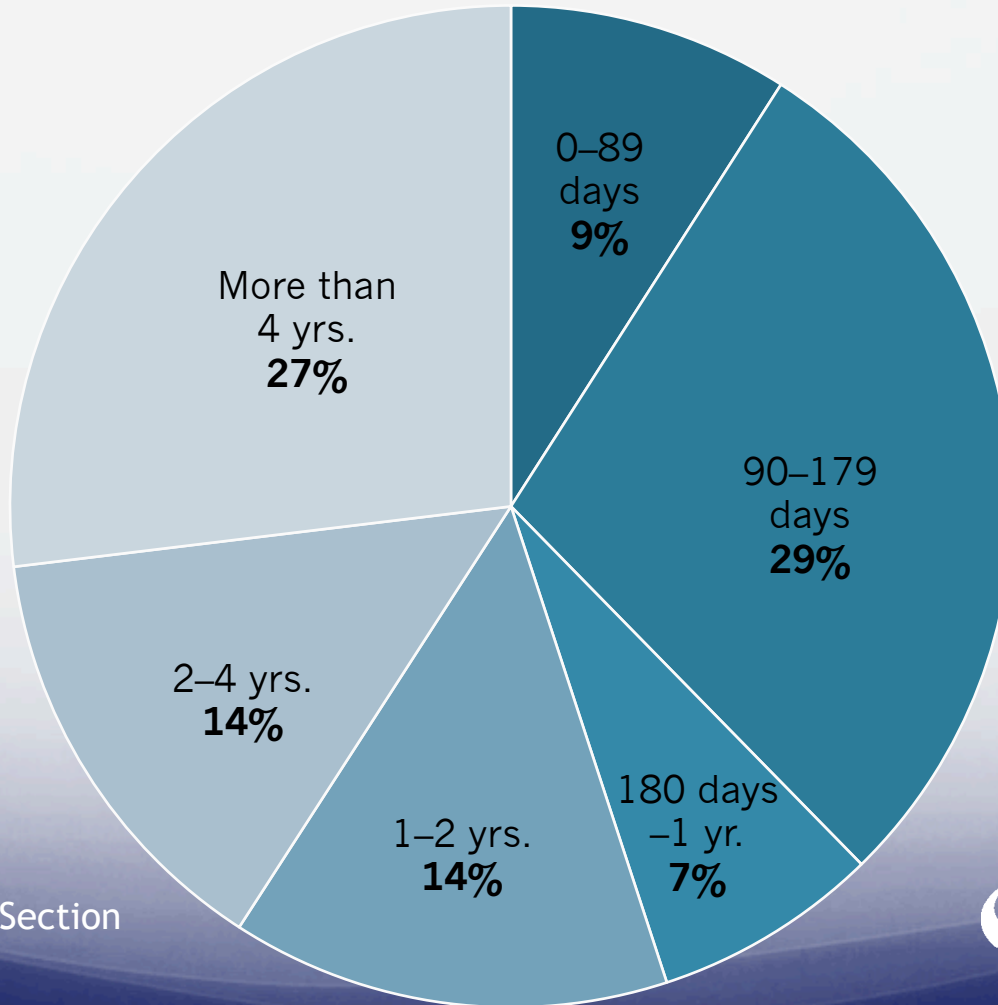


# Enforcement Revenue relationship to accounts receivable and collections



# A/R aging

Age of personal/withholding/corporate debts (based on when tax was first assessed)

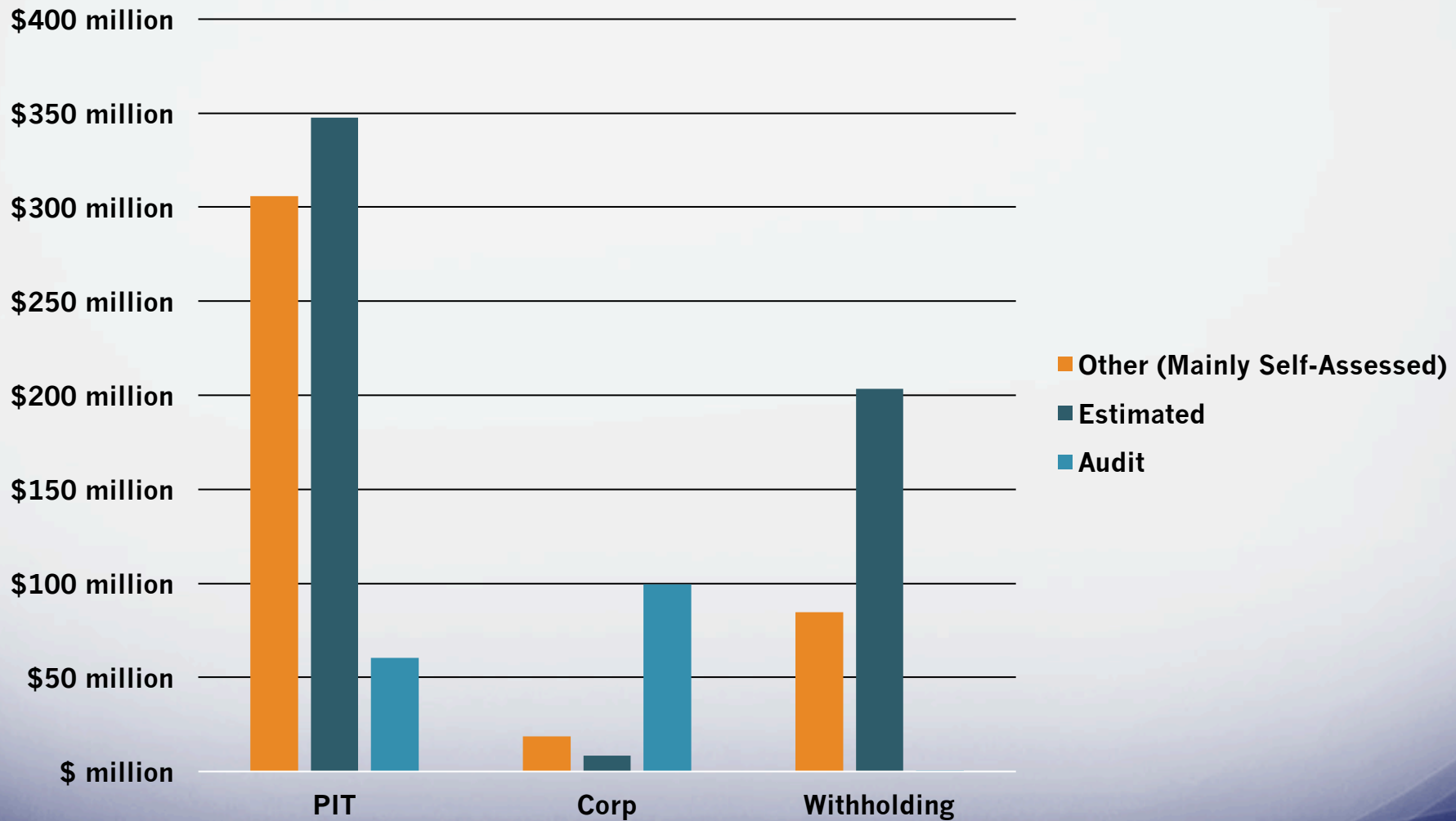


Source: DOR Research Section  
As of March 13, 2017





# A/R breakdown



Source: DOR Research Section  
As of March 13, 2017



# Collections overview

**Step 1:** Assessment notice.

**Step 2:** Demand for payment.

**Step 3:** Collection warrant.

**Step 4:** Liquid and delinquent.

**Step 5:** Lien.

**Step 6:** Notice of intent to offset.

# Enforcement—collections process

## Normal billing issued (Months 1-3)

**Self-assessment or deficiency notice issued.**

**Taxpayer pays tax.**

**Taxpayer enters into payment agreement.**

**Taxpayer exercises appeal rights.**

## Active collection by DOR (Months 3-12)

**Send legal collection notices.**

**Call taxpayer.**

**Locate assets—income, property.**

**Garnish assets—income, property.**

**Visit taxpayer.**

**Use advanced collections options—suspend professional license, seize assets.**

## Private collection firms (12+ months)

### **Used to collect when:**

The debtor lives out of state.

They haven't made a payment in 12 months.

The account has a small balance.

Accounts are companionated (accounts already at PCF).

# Collections overview

Statutory tools	Description
Payment plan	<ul style="list-style-type: none"> <li>• Part of Taxpayer Bill of Rights.</li> <li>• Can set up online.</li> <li>• Up to 12 mos.—automatic.</li> <li>• Extended plans available.               <ul style="list-style-type: none"> <li>• Financial situation review.</li> <li>• Manager approval.</li> </ul> </li> </ul>
Active collections	<ul style="list-style-type: none"> <li>• Notice of garnishment: wage or bank.</li> <li>• Treasury Offset Program (TOP).</li> <li>• Federal vendor offset [State Reciprocal Program (SRP)].</li> <li>• State vendor offset (pilot project).</li> <li>• Referral to private collection firm (PCF).</li> </ul>
Advanced active collections	<ul style="list-style-type: none"> <li>• Till taps.</li> <li>• Personal property seizures.</li> <li>• Stock sales.</li> <li>• License suspension.</li> </ul>

# Collections overview continued

Statutory tools	Description
Temporarily uncollectible	<ul style="list-style-type: none"> <li>• Temporary loss of income.               <ul style="list-style-type: none"> <li>• Hospitalized.</li> <li>• Unemployed.</li> </ul> </li> <li>• Future ability to pay.</li> </ul>
Suspended collections	<ul style="list-style-type: none"> <li>• Income is less than 200% of federal poverty guidelines.</li> <li>• Income is not garnishable under ORS Chapter 18.               <ul style="list-style-type: none"> <li>• Protected funds.</li> </ul> </li> <li>• Less than \$5,000 in assets.</li> <li>• Reviewed annually.</li> </ul>
Settlement offer	<ul style="list-style-type: none"> <li>• No assets or ability to borrow against assets.</li> <li>• Generally difficult debt to collect.</li> <li>• “Good faith” down payment required.</li> <li>• Future compliance required.</li> <li>• Agreed-upon amount of debt is cancelled after completion of terms.</li> </ul>

# Collections overview continued

<b>Write-off (ORS 293.240)</b>	<b>Cancellation (ORS 305.155)</b>
<ul style="list-style-type: none"> <li>• In the past three years, no:               <ul style="list-style-type: none"> <li>• Assets located.</li> <li>• Payments received.</li> <li>• Correspondence received.</li> </ul> </li> <li>• Not deceased.</li> <li>• No liabilities older than seven years.</li> </ul>	<ul style="list-style-type: none"> <li>• No assets located or correspondence received in three years.</li> <li>• No payments received in seven years.</li> <li>• Account assigned to a field agent for more than a year.</li> <li>• Deceased with no open probate.</li> </ul>

# Other Agency Accounts (OAA)

- Created in 1971.
- Currently, about 180 client agencies, including:
  - Other state agencies.
  - State, county justice, and municipal courts.
  - Universities, including OHSU.
  - Variety of boards and commissions.
- 2016 fiscal year total collections: **\$61 million.**
- Average monthly collections: **\$5 million.**
- Administration funded by collection fees.
- GenTax implemented in Fall 2016.



# Other Agency Accounts (OAA)

Agency	Recoveries FY 15/16	Total debt assigned as of 6/30/16	Collection recovery rate over five years
Judicial Dept (OJD)	\$28.7 million	\$244 million	8.92%—11.73%
Oregon Health and Science University (OHSU)	\$5.1 million	\$36.4 million	6.44%—12.18%
Higher education	\$6.8 million	\$29.8 million	24.03%—28.56%
Department of Corrections (DOC)	\$2.1 million	\$19 million	10.66%—11.45%
PERS	\$392 thousand	\$1.7 million	18.97%—46.97%
Restricted—offset only	\$16.8 million		



# Other Agency Accounts (OAA)

- Agencies may pass OAA collection fee or cost of using private collection firms (PCF) to debtor.
- OAA must return debt to assigning agency if unable to collect payment for one year. PCFs may retain debt as negotiated with assigning agencies.
- License Reinstatement Program.
- Payment plans.



# Current focus

- Consolidating collections functions to maximize efficiency.
- Reaching and maintaining full staffing.
- Continue to focus on staff training and development on the new system.
- Identify and streamline processes and incorporate national best practices to maximize workflow.

# How can the Legislature help?

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

## 2017 legislation:

- Financial Institution Data Match (SB 254, HB 2272).
- Employment New Hire Reporting (SB 254, HB 2271).
- Lottery withholding (SB 251, HB 2276).

# Future

- Efficiency of collection tools.
- Use of collection analytics to prioritize debts and increase collections.
- Provide more information to taxpayers about self-service options.

# Questions?

If you have additional questions after today please contact:

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