



**Department of
Taxation and Finance**

NYS Civil Enforcement Updates September 2015

Argi O'Leary

Deputy Commissioner, Civil Enforcement Division

argi.oleary@tax.ny.gov

Overview

- **2015 Enforcement Legislation Updates**
- **Sales Tax Initiatives**
- **DMV License Suspension**

2015 Enforcement Legislation Updates

■ Real Property Taxes

- Recoup Improperly Granted Basic STAR Exemptions
- STAR Offset program was not extended

■ Personal Income Taxes

- Warrantless Wage Garnishment Extension
 - Two year extension of program, which began in Oct. 2013
 - Total revenue collected under program exceeds \$61 million

Sales Tax Initiatives

- Revised DTF-17
 - Requires applicants to provide information re: ownership, projected activities and responsible persons
 - Responsible persons must provide information re: business and personal integrity and fiscal responsibility
- Information from DTF-17 being used to better educate and support vendors



Sales Tax Initiatives

COA-Related Initiatives:

- Revocation of COAs
- New Vendor Visits
- COA Enforcement Initiative with DTF's Criminal Investigations Division for unregistered vendors
- Operating without a COA Penalty Assessments
- Segregated Account Mandate



DMV License Suspension

Tax Law § 171-v:

- Allows DTF and DMV to cooperate in a program to improve tax collection through the suspension of drivers' licenses of taxpayers with past-due tax liabilities (fixed and final with no further right to administrative or judicial review) equal to or in excess of ten thousand dollars.
- The term "tax liabilities" means any tax, surcharge, or fee administered by the commissioner, or any penalty or interest due on these amounts owed by an individual with a New York driver's license, except for a commercial driver's license.



DMV License Suspension

To avoid suspension, a taxpayer must do one of the following:

- Satisfy the past-due tax liabilities.
- Enter into an installment payment agreement (IPA) with the Tax Department to satisfy the past-due tax liabilities. If a taxpayer fails to comply with the terms of the IPA more than once in a twelve-month period, the department may immediately notify DMV to suspend the driver's license of the taxpayer.
- Provide the Tax Department with proof that:
 - the individual to whom the statement was sent is not the taxpayer at issue;
 - the taxpayer's wages are being garnished by the Department for the payment of past-due tax liabilities, past-due child support, or combined child and spousal support arrears;
 - the taxpayer is seeking relief from joint and several liability under section 654 of the Tax Law (innocent spouse relief);
 - or the past-due tax liabilities have been stayed by the filing of a petition under the Bankruptcy Code (Title 11 of the United States Code).

DMV License Suspension

The program began in July 2013 and has been immensely successful:

- Approximately 56,700 individuals have been notified that their licenses were at risk of being suspended due to their tax liabilities. Of those taxpayers, almost 24,000 have paid in full or are in the process of resolving their debt.
- Approximately 21,000 have had their licenses suspended, and the remainder were determined to be ineligible for suspension.
- Tax collections attributed to the program have exceeded revenue projections and total over \$251 million over the life of the program.

Pennsylvania's Integrated Tax Clearance Program

2015 NESTOA
September 30, 2015



Agenda



- The Challenges
- A Creative Response – An Effective Solution
- Impact and Results

Maintain and grow individual and business tax collections, while ...

- Improving customer service and building trust with all stakeholders;
- Taking a proactive approach to closing the tax gap
- Create efficiencies, reduce redundancies, lower costs and improve productivity; and
- Enhance the equitable collection of taxes due.

The Challenges



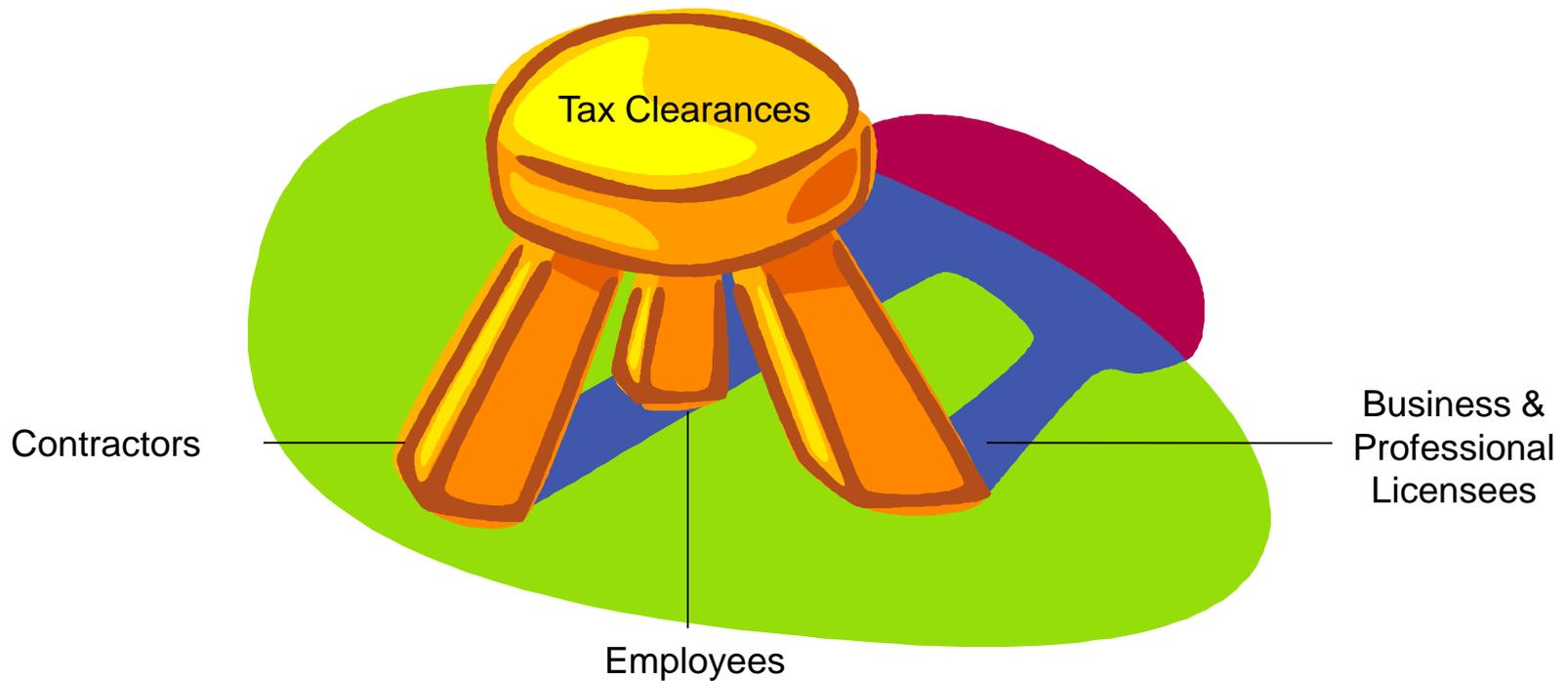
Stimulating voluntary compliance through a robust clearance system is a key component to Pennsylvania's response to these challenges.

"Collections and effecting positive changes in taxpayer behavior are the business of Revenue, in good times as well as bad."

- PA Dept. of Revenue Executive Secretary Robert P. Coyne, FTA Annual Conference, June 6, 2006

The Challenges

Those that receive an economic privilege from the state of Pennsylvania should be in tax compliance.



Statutory & Policy Solutions

- State Contractors – By policy since 1990
- Employees – By policy since 2010
- Licensees – Mix of policy & statutory

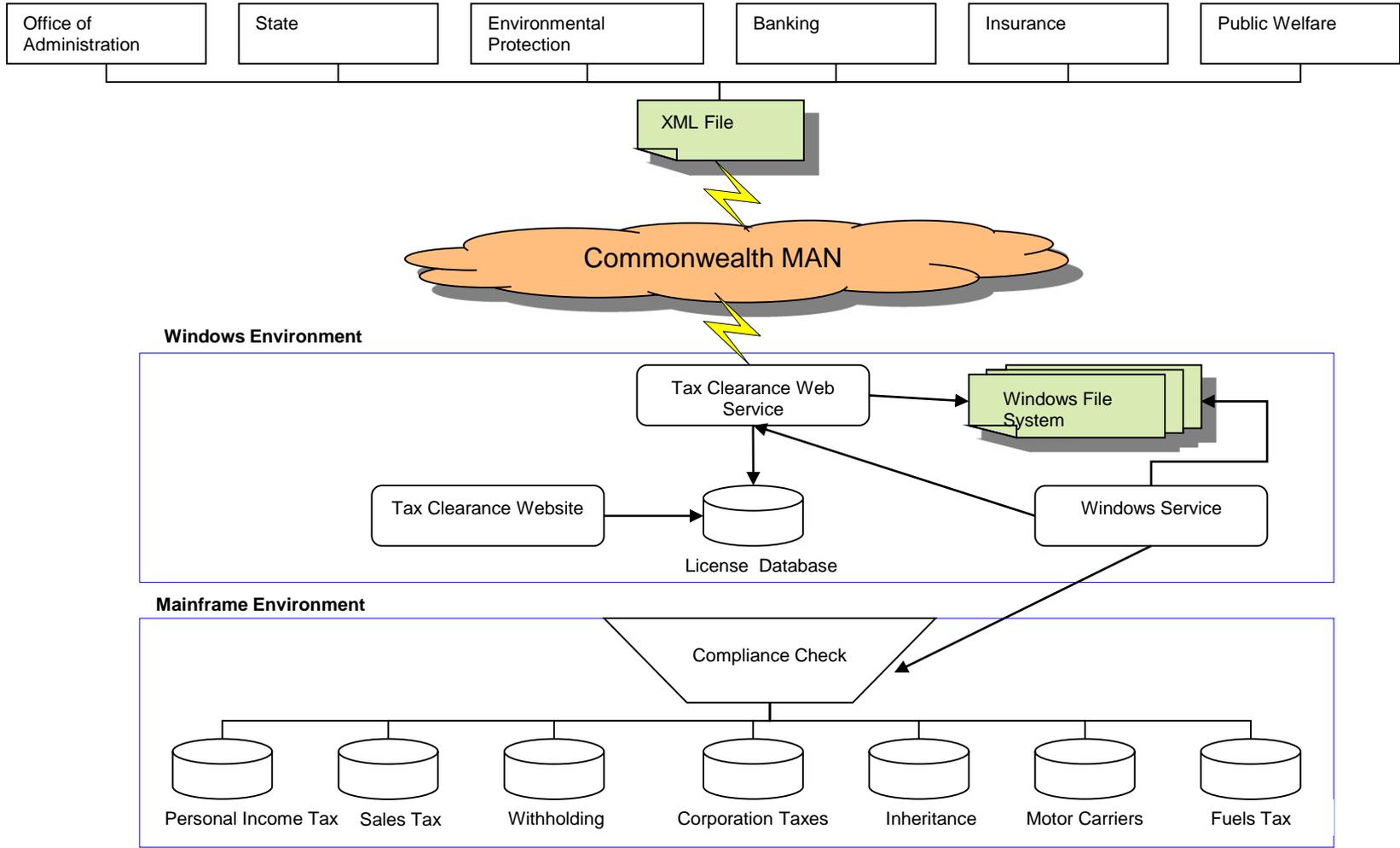
Pennsylvania Tax Clearance Initiative

- Large scale, systemic
- Scalable, with high-volume capacity
- Interagency cooperation

Revenue Integrated Tax System (RICS)

- Developed as a result of the Pennsylvania gaming act
- Adapted to work for other clearance processes
- Clearance engine and workflow

A Creative Response – An Effective Solution



- Over 480,000 compliance checks ran through the RICS system over the last fiscal year
- 10% came back as non-compliant and were manually reviewed by agents
- Direct Payments of \$456,000 in FY 2014-15
- Fairness of the tax system enhanced
- Interagency partnership

What's on the horizon...

- All Department of State Licenses will run through our compliance program
- The Department of Transportation will be running auto inspection licensees through our compliance program
- Treasury Department will be starting a employee compliance check in January

Sean Washington

Director

Bureau of Compliance

PA Department of Revenue

4th and Walnut St., 7th Floor Strawberry Square

Harrisburg, PA 17128

sewashingt@pa.gov

(717) 214-1967

CT Dept. of Revenue Services

Collection Process & Scoring

NESTOA 2015

- Collections Scoring
- Tax Gap Initiative

Collection Scoring



- **Pre-Scoring**
 - Manual Case Creation
- **Very Little Inventory Management**
 - Automatic case creation by-passed
 - Cases with assets routed to outside collection agencies.
 - Recycling of same taxpayers – Start process all over
- **Case creation process**
 - Based on dollar amounts
 - Specific industries
- **Workflow process by-passed**
 - Automated processes sparingly used

Project Goals & Objectives



- Implement Collection Risk Model that utilizes statistical methods to prioritize collection cases and assign them to risk-appropriate treatment strategies
- Improve collections process through the use of analytics to determine the most effective collection method to take.
- Increase collections by employing the right practices to the right liability at the right time by utilizing a scoring and prioritization model.

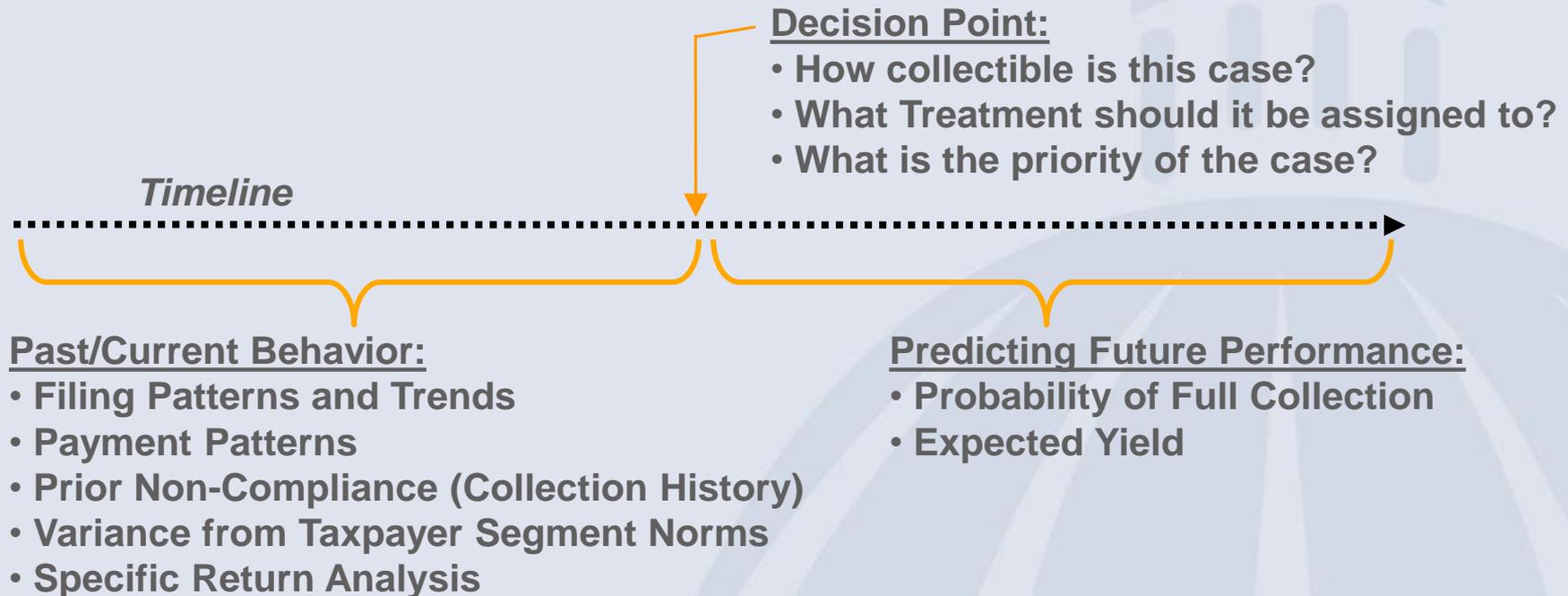
Project Deliverables



- Scoring Model
- Agent Alerts
- Custom Views
- Reporting Data Mart

Predictive Modeling

→ Goal: Define the Probability of Specific Events Occurring in the Future, and Use that Information to Make Better Decisions



Process Perspective – what has happened



- Agents are receiving the right cases that require action.
- Improved workflow (treatment strategies) to route cases to the proper area.
- Ewarrant continue to increase.
 - FYE 2011 - 7,089
 - Current - 50,000 + 86% increase over FYE 2011
- Cases scored Low Risk are self-curing at a rate > 90%.

Revenue Perspective – what has happened



FY 2010-2011	FY 2011-2012	Increase
\$105,951,888	\$126,333,146	\$20,381,258
FY 2011-2012	FY 2012-2013	Increase
\$126,333,146	\$162,660,146	\$36,327,000

Tax Gap Initiative



- When you show you can bring in more money what happens next year?

THEY WANT MORE MONEY

Tax Gap Initiative



- Budgeted item
- \$75 million is additional tax collections
- Phased approach with several areas of focus
 - Corporation Tax Resolution Initiative
 - Accounts Receivable Scoring
 - Permit Renewals
 - Enhanced collection activity
 - Sales Tax Delinquency Program

Tax Gap Initiative



■ Results

– Corporation Tax Resolution	\$31,596,410
– Accounts Receivable Scoring	
▪ Tax Permit Renewal	\$6,168,867
▪ Enhanced Collections	\$34,474,190
▪ Sales Tax Delinquency Program	<u>\$13,777,031</u>
▪ Total	\$86,016,498

Questions

