

VERMONT DEPARTMENT OF TAXES

COLLECTIONS UNIT STATUS REPORT

Act 57 of 2015, Sec. 46. TRANSITION

By July 1, 2016, the Department of Taxes shall adopt rules necessary to implement the creation of the Collections Unit under 32 V.S.A. chapter 103, subchapter 7. The rules shall include provisions for entering into referral agreements with referring agencies, branches, and subdivisions, and for exercising the enforcement powers provided under this subchapter.

COLLECTIONS UNIT STATUS REPORT

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Contents

STATUTORY LANGUAGE	1
INTRODUCTION	2
OUR EVOLVING COLLECTIONS	3
ENGAGING OTHER AGENCIES AND DEPARTMENTS	4
FINANCING - DECISION POINTS	5
REQUIREMENTS OF COLLECTING NON-TAX DEBT	6
SCHEDULE OF EXPANDING COLLECTIONS AT TAX	8
PILOT: TAKING ON DEFENDER GENERAL DEBT	9
APPENDIX A: DRAFT REGULATIONS	11
APPENDIX B: RECOMMENDED CHANGES TO STATUTORY AUTHORITY	13

Statutory Language

Sec. 45 of Act 57 amended 32 V.S.A. chapter 103, subchapter 7 to add:

Subchapter 7. Collections

§ 3301. COLLECTIONS UNIT

(a) There is established within the Department of Taxes a collections unit. The primary purpose of the Collections Unit is to enforce and collect debt owed the State, including tax debts and debts certified to the Department of Taxes from other branches, agencies, or subdivisions of government under this subchapter.

(b) The Collections Unit shall:

- (1) employ such staff as is necessary, subject to the approval of the Commissioner of Taxes;
- (2) adopt rules under 3 V.S.A. chapter 25 to provide for the uniform administration of the collection of State debt;
- (3) collect tax deficiencies owed the State, including those under chapter 151, subchapters 8 and 9 of this title;
- (4) administer the system of tax debt setoff in chapter 151, subchapter 12 of this title;
- (5) administer the system of tax intercepts under section 3113 of this title; and
- (6) collect debts referred from agencies or from other branches or subdivisions of State government under this subchapter.

§ 3302. DEBT REFERRAL

(a) An agency or any other branch or subdivision of State government may enter into an agreement with the Department of Taxes to collect any debt, other than debts related to property taxes under chapters 123 through 135 of this title, of \$50.00 or more under the procedures established by this subchapter.

(b) Any agreement shall contain the following provisions:

- (1) a process for ensuring that the debt is final, and not subject to any negotiation for settlement;
- (2) a process for providing the Department with information necessary to identify each debtor and for certifying in writing the amount of each debt submitted to the Department for collection, along with any other information as the Commissioner shall require;
- (3) a hierarchy of payments made from debts collected; and
- (4) any other provisions necessary to allow the Department of Taxes to collect the referred debt.

§ 3303. COLLECTION POWERS AND PROCESS

The Collections Unit in collecting debt required under this chapter shall have the following enforcement powers at its disposal:

- (1) any enforcement tool available to referring agency, in the name of that agency; and
- (2) any enforcement tools for collection of tax debts under this title.

Sec. 46. TRANSITION

By July 1, 2016, the Department of Taxes shall adopt rules necessary to implement the creation of the Collections Unit under 32 V.S.A. chapter 103, subchapter 7. The rules shall include provisions for entering into referral agreements with referring agencies, branches, and subdivisions, and for exercising the enforcement powers provided under this subchapter.

Introduction

The Vermont Department of Taxes (Tax) collects over \$1.7 billion for the State of Vermont each year. The vast majority is collected through voluntary compliance. When taxpayers do not pay the tax they owe, we use our tools and authority to pursue collections activity on the outstanding debt.

Over the last several years, the efficiency of collecting outstanding debt across state agencies has been called into question. The State Auditor has published two reports on this topic; the legislature has suggested that Tax become a Department of Revenue; and most recently, in Act 57 of 2015, the legislature directed Tax to serve as a Collections Unit to “enforce and collect debt owed the State.”

Under existing law, Tax has the authority to use collection techniques that are not available to other state entities when collecting on tax debt. Applying these tools to debt incurred by other departments and agencies could potentially improve the collections of receivables across state government. Tax is charged with creating a Collections Unit capable of handling non-tax debt collection and providing a plan and draft rules to the legislature by July 1, 2016.

A Collections Unit at Tax that handles debt across state government will be built from a foundation - statute, technology, practice, and people - that was designed for collecting taxes. The following report includes some instances where the existing foundation will need to be stretched to accommodate this new role (e.g. changing aspects of our statutory authority), but a great deal of our structure and practice is well suited for the collection of non-tax debt. The most significant adjustment to our foundation must be expanding capacity - the people. While we have the ability to expand our collections work to non-tax debt, Tax currently does not have the capacity to do so.

To date we have not completed a formal rulemaking process at this point (see Appendix A for draft regulations). However, we have taken positive steps forward by starting a pilot program with debt from the Office of the Defender General. This pilot program will help answer some pending questions as we advance down a path of collecting other state debt. Once we have finished implementing VTax, we can begin to have conversations with other agencies about collecting on their behalf.

VTax – An Overview

Since 2014, Tax has been involved in the implementation of VTax, an integrated tax system (ITS). VTax is a modern tax system that will provide an electronic platform for the handling of all aspects of taxpayer interaction, for all tax types. To date, we have successfully launched two phases of the project and are in the middle of testing Phase 3 taxes. When completed in December of 2017, all tax types will be managed in one system – allowing Tax to shut off three legacy systems.

Implementing VTax has given Tax the opportunity to review our internal processes and find efficiencies. One of the key areas where we are taking advantage of VTax tools to change our process is in our existing collections division. More information can be found on page 4 of the report.

Our Evolving Collections

The Vermont Department of Tax collections division currently consists of one section chief, 10 tax compliance officers and five compliance specialists. The current collections division is responsible for the collection of outstanding debt as well as bringing businesses and individuals into compliance by following up to ensure they have filed all returns due in a timely manner and have either paid the balance in full or are in an appropriate payment agreement. Currently, there are approximately 26,000 cases in collections.

The collections division is evolving quickly with the new capabilities of the VTax system – using the system overhaul as a catalyst for revamping the entire collections workflow. The move to the VTax system will enable us to completely retire multiple legacy systems that have constrained our ability to collect efficiently in the past. (Some of these constraints were mentioned in a 2016 report from the Vermont State Auditor.) The new system allows Tax to thoroughly modernize operations and adopt best practices across its functions. Specifically, the conversion of income tax into the new system in December 2016 will allow for collections process improvements that we've been looking forward to since the onset of the VTax project.

Further detailed below is our evolving efforts to revamp the collections workflow. Broadly, these changes will:

- Dramatically reduce a compliance officer's caseload to increase consistent and timely follow up
- Increase the number of cases referred to an Outside Collection Agency (OCA), referring cases sooner in the collection process
- Faster follow up on businesses who are not remitting taxes already collected
- Quicker and consistent action taken on new debts
- Better utilization of available tools to resolve delinquencies for all types of debts

The collections division is also more broadly utilizing the Offer in Compromise program and is reacting quicker to non-filed returns, first encouraging filing of the return before issuing an assessment as it traditionally did in the past. The division also reorganized to allow for better utilization of the staff to perform administrative tasks related to collection cases.

Collection methods

The spectrum of collections methods currently used by our collections division range from more "passive" collections tools to resource-heavy "active" tools. In practice, the passive collection methods quickly become "active" for the division when a taxpayer follows up with a phone call and requires one-on-one time with a collector for clarification about the debt or to enter into a payment plan.

Tools like OCA placement, refund offset, and specialized billing, are *relatively* passive. The benefits from passive collections can be achieved without much manual work at the front end. Applying these tools to non-tax debt would require an investment in configuration of the VTax system to load the debt and a small investment in additional staff to handle increased call volume. Active collections tools such as payment plans, bank levy, liens, and wage garnishment, are far more labor intensive activities and will require more significant increases to department staffing and budget.

Current collections tools include:

Collections Tool	Statute
Billing	32 V.S.A. § 3203
Interest calculations	32 V.S.A. § 3202
Online payments	32 V.S.A. § 3201(a)(5)
Offset of state tax refunds	32 V.S.A. § 3112(b); 32 V.S.A. § 5934
Offset of federal tax refund (Treasury offset program)	32 V.S.A. § 3201(a)(1), (c)(1); 32 V.S.A. § 5934
Outside collections agencies	32 V.S.A. § 3109(b)
Automated payment plans	32 V.S.A. § 3201(a)(5)
Settlements	32 V.S.A. § 3201(a)(5)
Garnishment of wages	32 V.S.A. § 3208
Levy of bank accounts	32 V.S.A. § 3207
Liens	32 V.S.A. § 3262(b)
Professional revocation/license letter	32 V.S.A. § 3112(f)

New Collection workflow

Currently Tax assigns cases to collectors to work. Each compliance officer currently has more than 1,400 cases assigned to them – far more than one person can actively work at any given time. This method of collections is called case assignment. With the new VTax system, Tax will change from a case assignment methodology to a workflow methodology. The new workflow will automatically review cases against multiple criteria and will either assign the case to a compliance officer, the OCA, or place the debt in a self-cure period after the expiration of the second collections notice. This workflow will greatly reduce the time from when the debt is incurred to when it is actively being worked by a Compliance Officer. The system will automatically check cases on a defined schedule to see if a case is eligible for garnishment, levy, offset or lien. If an eligible case is found, a task will be automatically created and assigned for further action. This new workflow should drastically improve Tax's ability to actively work collection cases and better leverage limited collection staff resources.

Engaging Other Agencies and Departments

Tax's collection division has the authority and expertise to use collection techniques that are not available to other state entities. The practice of incorporating non-tax debt into a collections program is not without precedent. Tax currently partners with other departments to collect receivables through our tax setoff program, where non-tax debt can be offset from a taxpayer's personal income tax refund. Beyond just offsetting refunds, a future Collections Unit would eventually

be able to offer other agencies the full force of Tax's collections tools.

Tax met with other state agencies and departments to inform our work developing procedures for administering a Collections Unit and entering into collections agreements with other State entities. From our meetings with other agencies some natural groupings developed.

First, there are agencies that do not have resources or a system in place to collect their receivables. Some of these entities may not have a good mechanism to organize and report what is owed to them. For these entities, Tax's VTax system would allow for more-passive collection activities like monthly billing, applying interest and penalties, online payments, collection agency placement, and our income tax setoff program. These entities expressed the most interest in referring debt to a Collection Unit because they're not putting resources towards collections right now. However, it's important to note that there are tradeoffs to taking on many small debts. The benefits of economy of scale are weighed against a limited capacity at Tax. Small debts pull resources away from other collections work with a much higher return on investment.

A second group of entities have more organized collection activity. These generally have larger amounts of debt and maintain some system and staffing to manage the work. Some of these entities have significant compliance tools of their own. For example, the Office of Child Support uses wage withholding to collect 75% of their payments and the Department of Vermont Health Access can handle Provider Tax delinquency internally by offsetting their monthly provider payments. Entities in this group may not be interested in referring debt to a Collections Unit but for specialized collection methods like the existing refund offset program, or potential future programs like wage garnishment, bank levy, or collection agency placement.

Financing - Decision Points

There are many benefits to moving towards a centralized point of collection for the State of Vermont at the Department of Taxes. Efficiencies are achieved when the state has a single view of a debtor. Tax can also offer centralized automated reported to the VISION system when appropriate. In addition to the many collections tools described above, Tax has the infrastructure for managing communications from debtors (i.e. call queues, voicemail, email).

Realizing these efficiencies will require system configuration and increased capacity at Tax.

Costs of system

The software that is the foundation of the VTax system is a Commercial Off the Shelf (COTS) system that is already used in more than 20 states. In many of these states, the system is being used by a Department of Revenue (DOR) for the purpose of collecting non-tax debts. The VTax system can be used for this purpose, but it will require extensive configuration in order to automate the collection processes. The cost is as yet undetermined, but it will be a significant one-time cost and will also include ongoing costs for maintenance and support.

Costs of increased activity

An increase in collection activity will need to be supported with the proper staffing resources and operational budget. Some of these resources could be consolidated from other departments that will be using the Collections Unit. However, many of the departments that will be eager to partner with Tax are in that position because the resources they currently apply to collections are insufficient; they either have too few staff or lack an adequate management information system.

There is undoubtedly some economy of scale with centralizing collection of state debts, but Tax currently has only a handful of collectors – we’re significantly limited by our capacity. Tax is in the process of “right-sizing” the collections caseload to make the work for each of our 10 compliance officers realistic and sustainable. After this transition, we’ll have 92% of our active collections cases placed with OCAs. This will leave each compliance officer with less than 200 account to manage, rather than the current per-collector caseload of over 1,400 each.

Staffing issues are compounded by the type of non-tax debts we anticipate will come to a Collections Unit at Tax. Statute requires that the Collections Unit accept debts as small as \$50 (32 V.S.A. § 3302). The cost of collecting on these small debts could be more than the return on that activity; these are too small for OCA placement. Even passive collection methods (e.g. monthly billing) on small debts can quickly become “active” when a debtor calls to the Collections Unit, pulling finite resources away from collections work with a much higher return on investment.

Financing options

Some options for financially supporting a statewide Collections Unit within Tax include:

1. An appropriation to the Tax Department in the normal budget approval process.
2. An allocation financing model similar to that of DII, BGS, and HR. Collection Unit costs are prorated across the referring departments or agencies. For example, costs could be allocated to departments based on the number of collections cases opened at Tax. Note that this structure might be difficult for the departments that do not have sufficient collections resources currently.
3. A collection fee applied to each account in collections. This fee is paid by the debtor. Typical collection fees can be between 10% and 25% of the amount of the debt at the time of referral to Tax. However, Tax anticipates that a majority of new non-tax debts will be very small. A percentage-based fee on a debt as small as \$50 might not be sufficient to cover collections costs.
4. Case-by-case basis for referring entities. For those departments that have collection resources, a onetime transfer of positions and/or budget for each department or agency when they start using collection services at Tax.

Requirements of Collecting Non-Tax Debt

A Collections Unit at Tax that handles debt across state government will be built from a foundation that was designed for collecting taxes. Taking on this new role means stretching the existing foundation in some cases (e.g. changing aspects of our statutory authority). In other cases, our foundation is less flexible (i.e. parameters of our software) creating limitations on how non-tax debt is managed.

Legal requirements

Under current law, a number of the collection tools available to Tax can only be used for the collection of tax liabilities. Statutory changes must be made in order to use these collections tools to collect debts of other departments or agencies.

The following collection tools currently have statutory language that would allow Tax to use them on debt from other departments and agencies:

1. Administrative Wage garnishment (32 V.S.A. § 3208)
2. Administrative Attachment (32 V.S.A. § 3207)

The following collection tools have statutory language that arguably would allow Tax to use them on debt from other departments and agencies but it is recommended that language is amended for the sake of clarity (suggested statutory language for these tools is contained in Appendix B):

1. Interest and Penalties (32 V.S.A. § 3202)
2. Liens (32 V.S.A. § 3262(b))
3. Professional License Denial/Revocation (32 V.S.A. § 3113)
4. Outside Collection Agencies (32 V.S.A. § 3109(b))1.
5. Billing (32 V.S.A. § 3203)
6. Installment Payment Agreements and Settlements (32 V.S.A. § 3201(a)(5))

System requirements

Non-tax debts will be managed through a single account in our VTax system designated for outside agency collections. This generic account (a “plug and play” approach) will allow for significant efficiencies when onboarding new debts by avoiding resource-heavy system configuration for every new referring agency. The unified account type will allow collections of multiple debt types to happen fluidly in our VTax system through uniform collections work flows and uniform billing work flows.

Unified penalties and interest. Realizing these efficiencies in our system requires some uniformity in the structure of debts. Tax plans to use our standard penalties and interest (P&I) provisions that are currently applied to tax debts. The P&I timeline for a specific debt will begin when Tax commences collections activity on that debt. An alternative approach is to apply no P&I to non-tax debts; however, it will not be possible to apply a unique P&I structure to non-tax debts.

A unified P&I structure works better for the debtor as well. The more interest rates and penalties that apply to a single Vermonter, the more confusing the bills will be and the more mistakes and errors will happen.

Unified statute of limitations. The statute of limitations (SOL) for pursuing debts is six years under Vermont’s tax

statutes. A common SOL that applies to non-tax debt would help streamline collections and billing workflows with our existing collections work.

Many referring agency statutes will be silent on matter of P&I and SOL for debts. Should a referring agency have its own P&I or SOL provision, that agency will have to amend its statute before entering into a collections agreement with Tax.

Agency requirements

Enrollment agreement. Any agency wanting to refer debt for collection would need to enter into an agreement with Tax. The agreement would include responsibilities of Tax, responsibilities of the referring agency, required file structure, and other relevant information. Tax will not provide any tax data back to the referring department. The agreement would address whether Tax would become the system of record for this debt, in which case the referring department would no longer report those receivable to Vision.

Debt certification. At the time the debt is transferred to Tax for collection, the referring agency would need to certify that the debt has cleared all appeal processes and certify that appeal rights are over. The purpose would be to avoid negotiation of the underlying debt after it has been sent to Tax.

Schedule of Expanding Collections at Tax

Existing modernization efforts at Tax shape the timeline for expanding collections activities to cover debts from other agencies and departments. Tax is currently converting its tax types and tax debt into the new VTax system over a four-year period. This project has 18 months left and will be complete in December 2017. Starting a new project any time before December 2017 would be extremely difficult given the existing resource realities at Tax and would increase the risk of problems for the conversion of the remaining tax types and tax debts into our new system.

PILOT: Taking on Defender General Debts

Tax will start a pilot program in early 2017 in collecting on the first non-tax debt from the Office of the Defender General. Tax will track the effectiveness and the costs of this effort through 2017. This pilot program will inform a process for onboarding other agencies moving forward.

Background

The Office of the Defender General (ODG) provides legal services to those that do not have an ability to pay for a legal defense. ODG clients are expected to pay at least a \$50 minimum, and perhaps more based on their ability to pay. This creates small debts that the ODG has no resources to attempt to collect. Those debts are sent to Tax for the purpose of offsetting state tax refunds. In 2015, more than \$480,000 was offset and returned to the ODG. An offset fee of \$9.00 is charged to the taxpayer for the collection effort.

For other departments that participate in the Offset Program, the debt does not stay with Tax. The agency remains responsible for the debt. However, the ODG debt is handled differently. The ODG has no collection system and is unable to manage debt. Therefore, once this debt is sent to Tax for the offset program, it no longer is tracked by the ODG. The State Auditor identified this issue recently in an audit and recommended that Tax begin reporting this debt as an accounts receivable and that the ODG find a way to manage and collect this debt in the future.¹

Tax is now tracking debt amounts and reporting to the VISION system for accurate accounts receivable year end reporting. Tax does not provide this reporting for any other offset partner. This is a unique situation derived from the ODG's inability to manage debt.

Pilot Program

Due to the unique situation with the ODG debt, and that the best information on this debt currently is in Tax's system, Tax has initiated a pilot program to test its ability to collect non-tax debt. As Tax builds its new VTax system, the ODG debt will be handled like a tax type – which means we will expand collection efforts beyond the single approach of refund offset currently used for non-tax debts. Beginning in January 2017, Tax will have the ability to send monthly bills and make outside collection agency placements on the ODG debt. We will also have the capacity to make collection calls, develop payment plans, take electronic payments, and make any other collections effort that Tax has the authority to apply to this non-tax debt.

Our current plan is to start adding ODG debt to bills for existing Tax debts. Tax will slowly start specialized monthly billing after that, beginning with the largest debts first. Collection agency placements will also begin spring of 2017 for any debts that meet our criteria for placement (i.e. larger than \$100).

Timeline

January 2017	Add ODG debt to existing tax bills
Jan – May 2017	Assess system functionality and call volume; place eligible ODG debts with outside collection agencies

¹ Vermont State Auditor, 2016. Public Defender Fees: Judiciary's Efforts Yielded Collections of Less Than One-Third of Amounts Owed. Rpt. No. 16-01. <http://auditor.vermont.gov/sites/auditor/files/PD%20Fee%20Collections%20Report%20-%20Final.pdf>

June 2017	Start billing on 500 ODG debtors with the highest balance due
Jun – Jul 2017	Assess system functionality and call volume
August 2017	Consider expansion of the number of ODG bills based on highest balance

Moving forward with the Collections Unit

Over the last several years, state administrators, legislators, and the State Auditor have identified debt collection across state agencies as an area in need of major improvement. Tax will track our efforts in this area – both the effectiveness and the cost – through 2017.

Though we have not finished the rulemaking process, the foundation on which a Collections Unit will be built is already rapidly developing. Act 57 of 2015 provides the statutory authority to create the Collections Unit, but our next steps in 2017 will help bring clarity to how to make this happen. VTax is on schedule and will provide the necessary technological capacity. The practice will be established thoughtfully from the lessons of the ODG pilot program.

What remains to be addressed is how the foundation of people will be established. Given the resources to build our collections capacity, the Vermont Department of Taxes hopes to serve a key role in improving collections across state government.

Appendix A - Draft Regulations

Definitions

“Certified debt” shall mean delinquent debt that has been certified by the referring agency and accepted for collection by the Department.

“Debtor” means any person who has not paid a delinquent debt in full.

“Delinquent debt” shall mean a debt to the State or any of its agencies, branches, or subdivisions, other than debts related to property taxes under chapters 123 through 135 of Title 32, that is owed by any person or entity, that is \$50 or more. The following debts shall not be considered delinquent for purposes of this definition:

- (A) debts that are the subject of pending administrative or judicial review;
- (B) debts that are covered by an informal or formal payment agreement, so long as the debtor is current in payments under the terms of the payment agreement.

“Department” means the Vermont Department of Taxes.

“Referring agency” or “agency” shall mean State branches, agencies, or subdivisions that refer delinquent debt to the Department for collection.

Scope and Purpose

The purpose of these rules is to improve collection efforts by establishing a centralized collection system in the Department for use by state agencies to collect delinquent accounts.

Duties of the agency

The agency seeking the use of the Department of Tax Collections Unit shall have the following duties regarding the Department and debtors.

- (A) Prior to notification to the Department, the claimant agency shall notify the debtor at the debtor’s last known address. The notice shall state that the agency intends to transfer the debt to the Department and shall notify the debtor of the procedure; the amount and basis for the alleged debt; and that the debtor may contest the validity and amount of the debt sought to be collected by applying in writing for a hearing before the claimant agency within 30 days of the date of mailing of the notice. The notice shall also include the name and mailing address of the claimant agency to which the application for a hearing must be sent, and shall advise the taxpayer that failure to apply in writing for a hearing within the 30-day period will be deemed a waiver of the opportunity to contest the debt.
- (B) Notification to the Department. The agencies must provide a list of debtors to the Department. This list must be in a format and type prescribed by the Department and include information relevant to the identification of the debtor and the source and amount of the debt. The agencies shall terminate all collection activities once notification is given to the Department.

- (C) Change in status of debt. A state agency which has provided liability information to the Department of revenue must notify the Department immediately of any change in the status of a debt. This notification shall be made no later than ten calendar days from the occurrence of the change. Change in status may come from payment of the debt or liability, invalidation of the liability, alternate payment arrangements with the debtor, bankruptcy, or other factors.

For each debt referred to the Department, the referring agency shall retain all documents and records relating to or supporting the existence of the debt. The debtor shall have no right to a hearing before the Department to contest the validity of the debt. In the event a debtor would raise a reasonable doubt as to the validity of the debt, the Department may in its discretion refer the debt back to the referring agency for further review and recommendation.

Duties of the Department

The Department of Taxes will establish guidelines and instructions for participating agencies. These guidelines will provide information regarding eligible debt, onboarding process, file transfer protocols, and other information necessary to participate in the debt collection program.

The Department may collect delinquent debts and assess interest in the same manner that it collects taxes and assesses interest for delinquent taxes—32 V.S.A. § 3108.

1. Establish a uniform collection process
2. Establish guidelines and instructions for referring agencies
3. Provide method for transferring debts
4. Become the system of record for that debt as necessary
5. Establish a priority for satisfaction of debts
6. Provide any reporting for the debt as necessary
7. Provide necessary revenue accounting and transfer of revenue into appropriate funds as necessary
8. Transfer debt back to referring agency if necessary

Appendix B - Recommended Changes to Statutory Authority

The “Legal Requirements” section above describes a number of collection tools that are available to Tax only for the collection of tax liabilities. Statutory changes must be made in order to use these collections tools to collect debts of other departments or agencies. Please find suggested statutory language for these tools below.

§ 3202. Interest and penalties

(a) Failure to pay; interest. When a taxpayer fails to pay a tax liability imposed by this title (except the motor vehicle purchase and use tax) or any other debt the Commissioner is authorized to collect on the date prescribed therefor, the Commissioner may assess and the taxpayer shall then pay a sum of interest computed at the rate per annum established by the Commissioner pursuant to section 3108 of this title on the unpaid amount of that tax liability or other debt for the period from the prescribed date to the date of full payment of the liability or other debt.

§ 3262. Lien fees; service of process costs; electronic filing of liens

(a) If any corporation, partnership, individual, trust, or estate required to pay or remit any debt that Tax has been authorized to collect neglects or refuses to pay it after notification or assessment, the aggregate amount of the debt then due and owing, together with any costs that may accrue in addition thereto, shall be a lien in favor of this State upon all property and rights to property, in the same manner and following the same requirements as a lien created pursuant to 32 V.S.A § 5895.

(b) Notwithstanding section 502 of this title, the Commissioner may charge against any collection of any liability any related lien fees specified in subdivision 1671(a)(6) or subsection 1671(c) of this title and any related service of process costs awarded to Tax and paid by the Commissioner. Fees and costs collected under this section shall be credited to a special Fund established and managed pursuant to subchapter 5 of chapter 7 of this title, and shall be available as payment for the fees of the clerk of the municipality and the costs of service.

(c) The Commissioner may file notice of any lien arising in favor of the State due to nonpayment of taxes or any other debt that Tax has been authorized to collect with the clerk of a municipality in which the property subject to lien is located in electronic format, and such lien shall have the same force and effect as a lien filed in paper form.

§ 3113. Requirement for obtaining license, governmental contract, or employment

(a) As used in this section, “agency” means any unit of State government, including agencies, departments, boards, commissions, authorities or public corporation.

(b) No agency of the State shall grant, issue, or renew any license or other authority to conduct a trade or business (including a license to practice a profession) to, or enter into, extend, or renew any contract for the provision of goods, services, or real estate space with any person unless such person shall first sign a written declaration under the pains and penalties of perjury that the person is in good standing with respect to or in full compliance with a plan to pay any and all taxes or any other debt that Tax has been authorized to collect due as of the date such declaration is made, except that the Commissioner may waive this requirement as the Commissioner deems appropriate to facilitate Tax of

Financial Regulation's participation in any national licensing or registration systems for persons required to be licensed or registered by the Commissioner of Financial Regulation under Title 8, Title 9, or 18 V.S.A. chapter 221.

(d) If the Commissioner determines that any person who has agreed to furnish goods, services, or real estate space to any agency has neglected or refused to pay any tax any other debt administered by the Commissioner and that the person's liability for such tax is not under appeal, or if under appeal, the Commissioner has determined that the tax or interest or penalty is in jeopardy, the Commissioner shall notify the agency and the person in writing of the amount owed by such person. Upon receipt of such notice, the agency shall thereafter transfer to the Commissioner any amounts that would otherwise be payable by the agency to the taxpayer, up to the amount certified by the Commissioner. The Commissioner may treat any such payment as if it were a payment received from the taxpayer. As used in this section, "any person who has agreed to furnish goods, services, or real estate space to any agency" includes a provider of Medicaid services that receives reimbursement from the State under Title 33.

(e) No agency of the State shall make final payment of any amount owed under a contract that contemplates the employment of any person within the State or the use of any property within the State, or otherwise release any person from the obligations of any such contract, unless such person shall first obtain a certificate issued by the Commissioner that the person is in good standing with respect to or in full compliance with a plan to pay, any and all taxes or other debt that Tax has been authorized to collect due as of the date of issuance of the certificate.

(f) Upon written request by the Commissioner and after notice and hearing to the licensee as required under any applicable provision of law, an agency shall revoke or suspend any license or other authority to conduct a trade or business (including a license to practice a profession) issued to any person if the agency finds that taxes or other debt administered by the Commissioner have not been paid and that the taxpayer's liability for such taxes is not under appeal. For purposes of such findings, the written representation to that effect by the Commissioner to the agency shall constitute prima facie evidence thereof. The Commissioner shall have the right to intervene in any hearing conducted with respect to such license revocation or suspension. Any findings made by the agency with respect to such license revocation or suspension shall be made only for the purposes of such proceeding and shall not be relevant to or introduced in any other proceeding at law, except for any appeal from such license revocation or suspension. Any license or certificate of authority suspended or revoked under this section shall not be reissued or renewed until the agency receives a certificate issued by the Commissioner that the licensee is in good standing with respect to any and all taxes payable to the Commissioner as of the date of issuance of such certificate. Any person aggrieved by the decision of the agency may appeal therefrom in accordance with the provisions of 3 V.S.A. chapter 25.

(g) For the purposes of this section, a person is in good standing with respect to any and all taxes or any other debt that Tax has been authorized to collect payable if:

- (1) no taxes or other debt that Tax has been authorized to collect are due and payable and all returns have been filed;
- (2) the liability for any taxes or any other debt that Tax has been authorized to collect due and payable is on appeal;
- (3) the person is in compliance with a payment plan approved by the Commissioner; or
- (4) in the case of a licensee, the agency finds that requiring immediate payment of taxes any other debt that Tax

has been authorized to collect due and payable would impose an unreasonable hardship. If the agency finds an unreasonable hardship, it may condition renewal on terms which will place the person in good standing with respect to any and all taxes or other debt that Tax has been authorized to collect as soon as reasonably possible.

§ 3109. Sheriffs and collection agencies; contracts for the collection of taxes; the use of bank or credit cards for the payment of delinquent taxes

(b) The Commissioner may also contract with private collection agencies for the collection of taxes or any other debt that Tax has been authorized to collect owed to the State by taxpayers. The Commissioner may agree to pay such agencies a fixed rate for services rendered or a percentage of the amount actually collected by such agencies and remitted to the Commissioner. Notwithstanding section 502 of this title, the Commissioner may charge against such collections an agreed-upon fixed rate or percentage of collections.

(d) As used in this section the word “taxes” and “debt” shall include all tax liabilities, debt, license fees, interest, penalties, fees, and any other charges or amounts arising from any tax liability or debt owed to the State.

§ 3203. Notice of deficiencies; assessment of penalties and interest; denial of refund

If the Commissioner finds that any taxpayer has failed to discharge in full the amount of any tax liability incurred under this title or any other debt that Tax has been authorized to collect or has claimed a refund in error or that a penalty or interest should be assessed under this title, the Commissioner shall notify the taxpayer of the deficiency or denial of refund or assess the penalty or interest, as the case may be, by mail. The mailing of the notice shall be presumptive evidence of its receipt by the person to whom it is addressed. Any period of time which is determined under this chapter by the giving of notice shall commence to run from the date of mailing of the notice.

§ 3201. Administration of taxes

(a) In the administration of taxes, the Commissioner may:

(5) Upon making a record of the reasons therefor, waive, reduce, or compromise any of the taxes or other debt that Tax has been authorized to collect, penalties, interest, or other charges or fees within his or her jurisdiction.

§ 3304. Confidentiality exemption; nondisclosure

(a) Notwithstanding any other provision of law prohibiting disclosure by the department of the contents of taxpayer records or information and notwithstanding any confidentiality statute of any referring agency, disclosure of the name and Social Security number of a debtor, amount of refund owed to a debtor, amount of debt owed by a debtor, and amount of refund attributable to the income of non-debtor spouse, between the Department and the referring agency as necessary to effectuate the intent of this subchapter, is lawful.

(b) The information obtained by a referring agency from the Department in accordance with the exemption allowed by this section shall only be used by a referring agency in the pursuit of its debt collection duties and practices and any person employed by, or formerly employed by, a referring agency who discloses any such information for any other purpose, except as otherwise allowed by law, shall be penalized in accordance with the terms of section 3102 of this title as if that person were an agent of the Commissioner. The referring agency to which information is disclosed shall provide for the protection and security of the information as required by the Commissioner.