

Assembly Hearing Slip

(Please print plainly)

Date: 4-25-01

Bill No. AB 281

Or
Subject _____

Name Tom Durak

Street Address or Route Number Dept. of Revenue

City and Zip Code _____

Representing _____

Speaking in favor:	<input type="checkbox"/>
Speaking against:	<input type="checkbox"/>
Registering in favor:	<input type="checkbox"/>
Registering against:	<input type="checkbox"/>
Speaking for information only:	<input type="checkbox"/>
Neither for nor against:	<input checked="" type="checkbox"/>

Please promptly return this slip to the messenger at the committee.

Provided by:
Assembly Sergeant at Arms
411 West, State Capitol
Madison, WI 53708

Assembly Hearing Slip

(Please print plainly)

Date: 4/25/01

Bill No. AB 281

Or
Subject _____

Name FRANK LABEE

Street Address or Route Number _____

City and Zip Code SIF

Representing _____

Speaking in favor:	<input checked="" type="checkbox"/>
Speaking against:	<input type="checkbox"/>
Registering in favor:	<input type="checkbox"/>
Registering against:	<input type="checkbox"/>
Speaking for information only:	<input type="checkbox"/>
Neither for nor against:	<input type="checkbox"/>

Please promptly return this slip to the messenger at the committee.

Provided by:
Assembly Sergeant at Arms
411 West, State Capitol
Madison, WI 53708

Ways & Means Committee
Preliminary Report on Referred Legislation
May 2, 2001

Bill: **AB 281**

Author: **Rep. F. Lasee**

Date Referred: **04-03-2001**

Public Hearing: **04-25-2001**

Executive Session: **N/A**

Relating Clause: **requiring the department of revenue to prepare and maintain a list of delinquent taxpayer accounts and to post on the Internet the top 100 names from the list.**

Comments from Department of Revenue-

The department is uncertain about how many additional dollars would be collected as a direct result of this list. Would they have paid anyway? The Department does have some minor changes they would like to make to the proposal and is working with the author.

Comments from the Author-

Author's reasoning for introducing legislation:

To collect taxes owed to the state.

Author's intent:

To collect taxes owed to the state.

Does the Author want the legislation moved forward?

Yes No

If no, do we have this in writing?

Yes No

Is the legislation in its final form?

Yes No

If major changes are required, the author shall prepare and introduce the necessary amendments.

Notes-

This bill is a redraft from last session.

To make the overall list, taxpayer must owe at least \$25k.

Name would not appear on list until 90 days have past since last appeals date.

Mostly corporations on top-100 list.

Currently tax warrants are filed on county Internet sites. These warrants are posted for taxpayers that owe in excess of \$1k.

Assembly Republican Majority Bill Summary

AB 281: List of Delinquent Taxpayer Accounts

Relating to: requiring the department of revenue to prepare and maintain a list of delinquent taxpayer accounts and to post on the Internet the top 100 names from the list.

By Representative Lasee

Date: October 4th, 2001

BACKGROUND

Currently, there are no provisions in state law that requires the department of revenue to maintain a list of delinquent taxpayer accounts. This is a re-draft of 1999 Assembly Bill 275 which passed the Ways & Means Committee on a vote of 15-0 but did not come before the full Assembly for consideration.

SUMMARY OF AB 281

This bill would require the Department of Revenue to compile a list of delinquent taxpayers who owe the state in excess of \$25,000. The list shall contain names, addresses, type of tax due, and the amount owed. Further, this bill requires the department to create and maintain an internet site that contains the top 100 names from the list. The list will not contain the name and associated taxpayer information of any person who has reached an agreement or compromise with the department of revenue or department of justice regarding the repayment of those taxes.

FISCAL EFFECT

A fiscal estimate prepared by the Department of Revenue indicates that there would be an increase in costs at the state level. The estimate indicates that the department would incur one-time programming and related costs of \$47,400 and ongoing costs associated with maintenance of the list of \$2,500. The bill does not provide funding for these costs.

PROS

1. Other states that have instituted similar delinquent taxpayer lists have increased recovery of delinquent taxes.
2. According to the department, all the names that would appear on the top 100 list would be names of corporations.

CONS

1. The state would be posting information on the internet that contains names and addresses.

SUPPORTERS

Rep. Frank Lasee, author.

OPPOSITION

There were no registrations in opposition to this legislation.

HISTORY

Assembly Bill 281 was introduced on April 3rd, 2001, and referred to the Assembly Committee on Ways & Means. A public hearing was held on April 25th, 2001. On September 5th, 2001, the Committee voted 12-0 [Representative Jeskewitz absent] to recommend passage of AB 281.

CONTACT: Andrew Nowlan, Office of Rep. Michael Lehman

Publication of Delinquent Taxpayer Accounts

April 14, 2001 Status Report

Together, the **1999/2000** and **2000/2001** Publication of Delinquent Taxpayer Programs have resulted in:

- **\$24.7 million** collected on **2,610 cases**
- **\$12.9 million** in **adjustments** to **970 cases**
 - **Impact of \$37.6 million**
- **243 taxpayers** have entered into **payment agreements** totaling another **\$15.6 million**.

2000/2001 Publication of Delinquent Taxpayer Program results as of 4/14/01

- **317 accounts** totaling over **\$5.7 million** are currently posted to the Internet.
- **\$13.3 million** collected on **1,392 cases**
- **\$8.1 million** in **adjustments** to **562 cases**
- **72 taxpayers** have entered into **payment agreements** totaling another **\$6.1 million**.

2001/2002 Publication of Delinquent Taxpayer Program

- **Selection of potential accounts** for the 2001/2002 program has been completed.
- **7,096 Letters** are scheduled to be mailed 4/23/01
- Potential liability for these letters is **\$489 million**
- **1,134 accounts** totaling **\$61 million** are **new** to the program for 2001-2002.

Nowlan, Andrew

From: Ourada, Thomas D
Sent: Tuesday, May 01, 2001 9:13 AM
To: Rep.Sykora
Cc: Rep.Lasee; Nowlan, Andrew
Subject: Information on delinquent balance

At the Ways & Means Committee meeting last week, you asked for a breakdown of the delinquent balance. The most recent statistical report from 1-31-01, shows the following:

Tax	\$508,490,962
Interest	\$131,771,594
Penalty	\$62,398,837
Fee	\$29,432,571


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 Scott McCallum
 Governor

 FAX
 282-3658

May 21, 2000

 3/62
 2001

 The Honorable Frank Lasee
 Wisconsin State Assembly
 State Capitol, Room 7 North
 Madison, Wisconsin 53702

 STATE OF WISCONSIN
 DEPARTMENT OF REVENUE
RECEIVED
 MAY 22 2001

Dear Representative Lasee:

SECRETARY OF REVENUE

The Department of Revenue's director of Compliance, Vicki Siekert, and director of State Tax Policy, Dennis Collier, met recently with your aide, Lance Burri, and Marc E. Shovers of the Legislative Reference Bureau to discuss the concerns the Department raised with Assembly Bill 281. This bill requires an Internet posting of the 100 largest delinquent taxpayers, as well as paper and electronic lists of all delinquent taxpayers owing more than \$25,000. This letter summarizes the understanding reached during that meeting.

- The \$25,000 threshold indicated in the bill will apply to total delinquent taxes owed for all tax periods.
- The term "person" refers both to natural persons and to business entities, following the definition of that term in sec. 990.01 (26), Wis. Stats.
- The bill will be amended to refer to an "automatic stay" for a stay under the Federal Bankruptcy Code.
- Daily updates will be made to the Internet list to remove the name of any taxpayer reaching and in compliance with an agreement or compromise with the Departments of Revenue or Justice and the name of any taxpayer protected by an automatic stay under the Bankruptcy Code. New names will not be added to the list in these daily updates; a new list of 100 names will be generated each month. Though paper and electronic lists must be generated only quarterly, the Department may choose to update these monthly, at the same time it produced the new Internet listing.

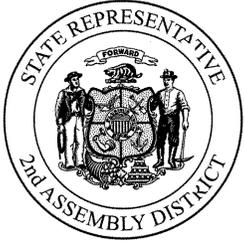
As we indicated in our fiscal estimate, the Department would incur one-time programming and related costs of \$47,400 for developing the lists required by the bill, and annual mainframe charges of \$2,500. We would appreciate if the amendment to the bill provided funding for these costs.

Sincerely,


 Tom Ourada
 Executive Assistant

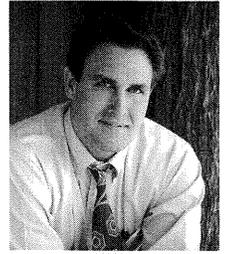
 TO:DC:ds
 t:\secltr\dc\lab281.doc

cc: Marc E. Shovers



Frank Lasee

State Representative • 2nd Assembly District



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(608) 266-9870
Toll-Free: (877) 947-0002

1735 Keehan Lane
Bellevue, Wisconsin 54311
(920) 406-9488
Rep.Lasee@legis.state.wi.us

Representative Frank Lasee
105 West, State Capitol
P.O. Box 8952
Madison, WI 53708

Rep. Mickey Lehman
State Assembly
103 West, State Capitol
PO Box 8952
Madison, WI 53708-8952

May 31, 2001

Dear Rep. Lehman;

I'm writing to ask that you schedule Assembly Bill 281, requiring the Department of Revenue to maintain a list of delinquent taxpayers and to post the 100 worst delinquent taxpayers on an Internet web site, for an executive session as soon as possible.

Thank you for your prompt attention.

Sincerely,

Frank Lasee
2nd Assembly District

WISCONSIN DEPARTMENT OF REVENUE
TOP 100 DELINQUENT ACCOUNTS

ACCOUNT
BALANCE

GEN
TAX
TRAIT

4,063,251	INC
2,909,989	BUS
2,258,703	BUS
2,196,532	BUS
2,051,721	BUS
1,985,804	BUS
1,956,703	BUS
1,594,018	BUS
1,514,683	BUS
1,425,948	MSC
1,356,305	BUS
1,183,169	BUS
1,071,674	BUS
1,039,438	BUS
1,037,681	BUS
1,000,425	INC
974,941	MSC
960,551	MSC
949,215	BUS
905,114	BUS
903,610	BUS
903,094	BUS
875,187	BUS
872,020	BUS
861,809	BUS
851,904	BUS
837,744	BUS
836,851	BUS
824,542	INC
819,590	BUS
810,105	BUS
801,276	BUS
773,214	BUS
762,681	BUS
707,834	BUS
707,706	BUS
699,985	INC
689,402	MSC
687,348	BUS
682,864	BUS
680,106	BUS
672,085	BUS
667,132	BUS
661,303	INC
660,123	BUS
651,346	BUS
649,292	BUS
641,139	BUS
633,722	BUS
631,068	BUS
628,358	BUS

6/15/99

WISCONSIN DEPARTMENT OF REVENUE
TOP 100 DELINQUENT ACCOUNTS

ACCOUNT
BALANCE

GEN
TAX
TRAIT

624,575	BUS
624,407	INC
604,541	BUS
600,784	BUS
594,011	BUS
590,420	BUS
585,273	BUS
577,322	BUS
570,789	BUS
569,799	MSC
553,762	BUS
546,122	MSC
541,922	BUS
540,590	MSC
538,777	BUS
537,777	BUS
537,602	BUS
535,421	BUS
532,797	BUS
526,599	BUS
526,115	BUS
524,715	BUS
520,895	MSC
520,547	BUS
519,215	BUS
509,751	BUS
498,575	BUS
494,763	BUS
494,285	INC
493,234	BUS
491,578	MSC
490,683	BUS
468,866	BUS
486,620	BUS
485,047	BUS
483,265	BUS
482,058	BUS
481,087	BUS
474,767	MSC
474,503	BUS
471,855	BUS
468,795	BUS
467,875	BUS
457,822	BUS
455,672	BUS
454,692	BUS
454,171	BUS
453,494	BUS
450,746	BUS
52,263,242	

Nowlan, Andrew

From: Gates-Hendrix, Sherrie
Sent: Tuesday, August 28, 2001 3:21 PM
To: Nowlan, Andrew
Subject: AB 281 amendment

I did have one other thing to mention.

I talked to Deb in Rep. Lasee's office (as Lance is out to do full time campaigning) and she faxed over a copy of their amendment to AB 281 - LRB a0542/1 - relating to the "automatic stay" under the Federal Bankruptcy Code. I told Deb this amendment looks fine to us and I believe Rep. Lasee will bring up the issue next Wednesday.

We agreed that the other issues addressed in the letter I faxed you represent DOR/Lasee's agreement about how the department will administer the bill as drafted. So those things don't need to be in the draft as long as we agree that the representations in the letter of May 21st are OK. Deb was in agreement on that, so I guess LRB a0542/1 is the only amendment to that bill that we think is needed.

S.



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Scott McCallum
Governor

Richard G. Chandler
Secretary of Revenue

September 17, 2001

Assembly Committee on Ways & Means
Honorable Michael Lehman, Chair
103 West Capitol
Honorable Robert Turner
109 North Capitol
Madison, WI 53702

Dear Representatives Lehman and Turner:

At its recent September 5th meeting, the Ways & Means Committee voted to recommend passage of AB 281 relating to requiring DOR to maintain an Internet list of the top 100 delinquent taxpayers. During the course of the hearing Rep. Turner asked whether the bill would allow the Department of Revenue to remove the names of those in danger due to extraordinary circumstances such as stalking and asked the department to comment on this concern.

As detailed by the Legislative Council during the hearing, the bill as drafted would not allow the department to remove delinquent taxpayer names from the Internet list for such dangerous or extraordinary circumstances. The bill requires the department to remove names from the list for the following reasons: (1) the taxpayer has reached an agreement or compromise with DOR or DOJ and is in compliance with that agreement regarding payment of delinquent taxes; or (2) the taxpayer is protected by a stay that is in effect under the Federal Bankruptcy Code.

DOR would not oppose an amendment to the bill to expand the department's ability to remove names from the Internet list of delinquent taxpayers for reasons of danger or other extraordinary circumstances. If such an amendment is considered, two points of information may be helpful.

- The Wisconsin Circuit Court Automation Program (CCAP) provides public access to the names and addresses of all parties against whom a tax warrant has been filed through the Wisconsin Circuit Court Access program at: <http://ccap.courts.state.wi.us/InternetCourtAccess/>. It is likely that most or all of the tax delinquent persons listed on the "top 100" list required in AB 281 would have a tax warrant filed against them. As a result, removing their names from the top 100 list would not completely eliminate public scrutiny of their personal information via state government Internet sites.
- If an amendment is made to AB 281 to allow DOR to remove names from the top 100 Internet site due to dangerous or other extraordinary circumstances, the department would ask that the specific circumstances in which this exemption could be used be clearly detailed in the law.

I hope this information is helpful. Feel free to call me or my staff if you would like to discuss this issue in further detail.

Sincerely,

Richard G. Chandler
Secretary of Revenue

RGC:SGH



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES
GENE GAVIN, COMMISSIONER

**Internet Top 100 Delinquency List
Summary and Data December 2000**

- “Public Stockade of the cyber age!” — Commissioner Gene Gavin
“Cybershame is working, better than we ever expected.”
- Honest taxpayers support it. They know who deadbeats are, are glad we are going after them!
- Close to 1600 accounts have been eligible for listing since January 1997.
- In three and one half years of Internet publication:
 - Collected \$96.8 million in overdue tax debts;
 - Anticipate \$12 million in future revenues from payment plans already in place.
 - Cleared 1146 top dollar overdue accounts from the list of the 1600 that have been eligible for publication (highest dollar delinquent accounts).
- Positively impacted all tax receipts:
 - Reduced inventory of accounts receivable by one third (prior to Internet Top 100 List, the average monthly delinquent billing went to over 60,000 taxpayers. Today it averages below 40,000.)
 - Reduced cases in collection portfolio by over 16%, and reduced dollar value of collection portfolio by 8%.
 - The collection turnover rate for taxpayers receiving the certified letters of posting on the Internet is 80%, compared to collection turnover rate of 70% rate for the assigned collection portfolio for the same period.
 - The Internet is an additional tool for our revenue agents to use to bring taxpayers into compliance.
 - Taxpayers know cheating on taxes is no longer “a gentleman’s sport” in Connecticut. They won’t remain anonymous to their friends and neighbors.
 - More and more people tell us they are using the list as a reference for doing business — they don’t want to deal with tax cheats!
- 34 states, the U.S. General Accounting Office and other offices of the federal government have contacted us to find out details of how we were able to launch the list; in addition to China, Japan and the Province of Ontario.



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES
GENE GAVIN, COMMISSIONER

Friday, July 28, 2000

*Notification letter sent to
Potential listees on Internet Top 100.*

*Names generated from monthly billing cycle
Certified mail, return receipt requested.*

CT Tax Registration Number:

Tax Type:

NOTICE OF PUBLICATION OF TAX DELINQUENTS

Dear Taxpayer:

On January 15, 1997, the Connecticut Department of Revenue Services (DRS) began publishing on the World Wide Web the names of 100 taxpayers owing the largest amounts of Connecticut taxes. DRS is required by statute to publish the names of all taxpayers whose accounts are delinquent for greater than 90 days and who have exhausted all appeal rights.

According to our records, the taxpayer name and account shown above may be included on the listing for this month. Once posted, the list will remain on the Web for a period of thirty days.

To avoid publication of this taxpayer name and account, you **MUST** contact DRS prior to July 17, 2000 to make full payment or to arrange a payment plan agreement. If you believe that you have received this notice in error, please contact us immediately.

Please call DRS Revenue Agent Kenneth A. Turnquist at 860-297-5851 to arrange for payment or request other action on this notice.

This is your final notice prior to publication. Thank you for your cooperation.

Sincerely,

Gene Gavin
Commissioner of Revenue Services

WALL STREET JOURNAL.

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CP ***

WEDNESDAY, AUGUST 25, 1999

INTERNET ADDRESS: <http://wsj.com>

Tax Report

A Special Summary and Forecast Of Federal and State Tax Developments

PUBLIC HUMILIATION of tax dead-
beats produces results.

Since the beginning of 1997, Connecticut has been posting on the Web the names of the 100 taxpayers with the largest tax debts to the state. Tax commissioner Gene Gavin says "cybershame" has helped the state collect \$52 million in overdue taxes, penalties and interest. Another \$12 million is expected from installment-payment plans. "It's a great success," Mr. Gavin says.

"Many people will pay just because of the threat of publication," says Verenda Smith of the Federation of Tax Administrators in Washington. Another example is Illinois, which soon will start publishing names of those owing more than \$10,000 for over six months. After sending out warning notices earlier this year about the program, Illinois already has received \$5.4 million, with a further \$8.3 million expected from payment plans, a spokesman says.

DEADBEATS ON THE WEB

Talk about ROI.

A year and a half ago, Department of Revenue Services in Hartford, Connecticut, invested a few hours of labour in the building of a Web page that publishes the names and addresses of the state's top 100 tax deadbeats. The payoff, according to Department of Revenue Services Commissioner Gene Gavin, is now about US\$40 million — \$28 million in cash and another \$12 million coming in on payment plans.

"Cybershame is working," says Gavin. "I call this the public stockade of the information highway."

Gavin says that Connecticut could publish the list without fear of legal retribution because of a 1979 statute that

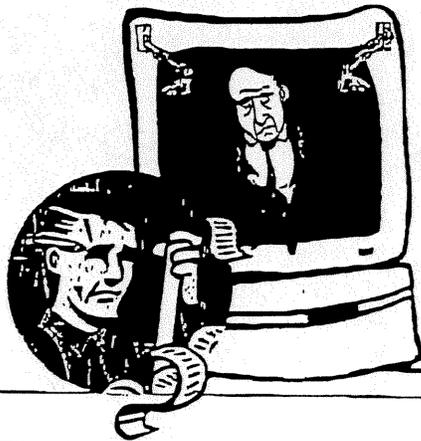
makes the identity of serious tax delinquents public information. The Web page is not intended to ambush taxpayers, he says, explaining that before any names are published a registered letter

is sent, warning of impending publication unless those targeted contact the state and work out a payment plan.

Pleased with the results, Commissioner Gavin claims that the fear of ending up on the delinquent list compels residents to keep up with their tax payments.

"Before we put up the list we used to have about 60,000 tax delinquents," says Gavin. "Now we've got about 40,000. That's a reduction of one-third. It's amazing."

So far, says Gavin, about 25 states and 3 cities, as well as Canada, have called for advice on setting up their own deadbeat Web page. — Art Jahnke



Public stockade 1997: 'Villains' listed on Internet

By MARIAN GAIL BROWN
Staff writer

American colonists had a special way to punish certain sinners. They secured the culprit's head and arms in a stockade in the center of the village, where everybody might witness the lawbreaker's shame.

But times and technology change.

Today's equivalent of the stockade is the Internet. Floating around cyberspace are all sorts of lists of villains, ranging from parents who owe back child support to parking ticket scofflaws.

The next to be exposed are Connecticut residents who are way behind on paying state income tax. On Wednesday, the state Department of Rev-

Shame, fear, embarrassment work for enforcers

Continued from A1

enue Services will identify the top 100 tax deadbeats for all to see on the agency's home page.

Already, the proposal has been profitable for the state.

Forty of the 200 taxpayers who were warned their names would be published online hastily made arrangements to settle their debts, paying a total of \$3.4 million to have their names removed from the list, DRS spokeswoman Ellen R. Schneider said. Many of the settlements came Friday, the final day to get one's name off the published list.

"Just the other day, we had an attorney call and tell us: 'This is the best idea I ever heard of. Why didn't you think of it sooner?' And he owes \$28,000," said Schneider.

But there is debate about the effectiveness — and ethics — of holding citizens to online shame.

The Connecticut Attorney General's office has, for the past year or so, published the names of dead-beat parents — those who are way behind on their child support payments — on its home page on the World Wide Web.

Attorney General Richard Blumenthal said his office gets more than 200 e-mails each month from 'Net surfers offering information on dead-beat parents. Those leads have resulted in thousands of dollars in delinquent support payments finally reaching Connecticut children, he said.

Seven of the 11 people featured on the attorney general's "most wanted" poster of deadbeat parents have been arrested. Some surrendered to police after seeing themselves on the poster on the Internet.

But at the Electronic Frontier Foundation, a San Francisco-based non-profit group dedicated to protecting on-line privacy and free

speech, the view is decidedly less upbeat about such practices.

"The tone of what they're using this for is more than a little vindictive. It's more like cultural vengeance. It's part of a disturbing trend in government to move away from justice to making an example out of someone," said EFF's director Stanton McCandlish.

Unlike Connecticut's Department of Revenue Services, the Internal Revenue Service is not allowed — under the federal tax code — to publish the names of its delinquents.

"We have to respect the privacy of taxpayers," said IRS spokeswoman Barbara Shuckra.

Sociologist Shalom Edelman, a professor at Quinnipiac College, believes that shaming probably works best on prominent people who have more to lose from negative publicity.

As for the wisdom of govern-

ment using the Internet to identify dead-beat parents, Edelman termed such practices "unethical. They are delving into people's lives without really knowing what's going on in that person's life. It's unethical to publish material that in some cases could further exacerbate the situation and hurt people."

Carolyn Wilkes Kaas, a professor at Quinnipiac College School of Law, worried about government becoming "overzealous" in its use of the Internet.

"It's sort of like the checks you see posted near a cash register in a store that are stamped insufficient funds," said Kaas. "That's one of those things where some people are embarrassed and then there are others who couldn't care less if their checks are all over the place."

The state Department of Revenue Services home page can be accessed at

<http://www.state.ct.us/drs>

Taxpayers Pay Up to Avoid Internet Publicity About Tax Delinquencies

by Sally Adams, Esq.

"CyberShame works," according to Gene Gavin, Connecticut Commissioner of the Department of Revenue Services. A program, which calls for the publication of the identities of the state's top 100 delinquent taxpayers on the Internet, has succeeded in actively, affirmatively resolving tax delinquencies at a rate averaging in excess of \$4 billion per month since its activation in Connecticut on January 15, 1997, he explained. These are the taxpayers who owe the largest dollar amounts to the state. Gavin called it an "exciting, innovative, cost-effective approach to collecting tax."

Legislative Directive

A tax scofflaw has been on the books in Connecticut since the late '70s, Gavin explained, which has required the Department of Revenue Services to make available for public inspection a list of delinquent taxpayers for whom all appeal rights have expired. This statutory provision requires the state to disclose the names and addresses of the delinquent taxpayers, the type of taxes owed, and the amounts overdue, no matter how small the amount, on a monthly basis. However, there has been little interest in inspecting the lists over the years, Gavin commented.

The publication requirement does not kick in until

- 90 days after the taxpayers have exhausted their appeal rights, including possible judicial proceedings, and
- taxpayers have failed to resolve their accounts.

Prior to that point, taxpayer account information is treated as confidential. Delinquent taxpayers should not be surprised to find their names published once their appeal rights have been exhausted, commented Ellen Schneider, spokesperson for the Department.

Background

Initiation of the program was prompted by an unanticipated revenue bonanza for the state when a large number of delinquent taxpayers settled their delinquent accounts with the state following the publication of their identities on the Internet

site of a newspaper in the state capitol. This publication took place during the Fall of 1995 while the state's tax amnesty program was in progress. [Note: Gavin said that Connecticut was one of the first states to offer a tax amnesty program.] Schneider noted that the revenue generated was significant, even though usage of the Internet was in its infancy during this period.

Commissioner Gavin, recognizing the revenue-generating potential of such publication, decided that the state should publish its own list of the top 100 delinquent taxpayers on its own Internet home page. Gavin initiated this program with additional precautions in order to assure that no one would be embarrassed who should not be embarrassed. The first precaution was to limit the number of disclosed taxpayers to the top 100. The second precaution that he introduced was to send out certified letters to affected taxpayers well in advance of the Internet publication date in order to allow taxpayers a final opportunity to either pay their tax liability in full or to enter into a payment plan.

Success of Program

The posting of the names of the top 100 delinquent taxpayers on Connecticut's home page on the Internet has been a great success for both the state and the taxpayers, according to Gavin, because the increased stream of revenue into the state actually allows the state to either hold the line on new taxes, or to reduce existing tax burdens. The success of this "CyberSpace public stockade, which uses scofflaws for CyberShame," is demonstrated, the Commissioner said, by the fact that during the four-months that the program has been operational, \$17 million in delinquent taxpayer debts have been resolved, *i.e.*, have been brought from a total inactive status into a payment program. Since January 15, 1997, the actual revenue received by the state from delinquent taxpayers has exceeded \$4.5 million. Only a few debts have been written off upon proof that a taxpayer has no assets.

Following the announcement of the state's Internet publication program in October 1996, certified mailings were sent out in November 1996 notifying a list of the top 100 delinquent taxpayers

that their identities would be published on the state's home page on January 15, 1997. Prior to the publication date, 35 accounts were cleared, and by the end of April, 189 accounts had been cleared. Gavin noted that between April and May alone, 57 of the 100 accounts loaded in April were removed from the list. An account is considered to have been cleared if paid in full or if a payment plan has been entered into.

Spinoff successes: An additional plus for the state has been the program's success in piercing the corporate veil shielding responsible taxpayers absent fraud or criminal activity. Many who might have ducked out from their responsibility to turn over withholding taxes, for example, are coming forward to arrange payment, according to Schneider.

A further success is that for the first time in many years, the number of delinquent taxpayers on Connecticut's monthly inventory list has fallen by almost one-third, from 45,000 to 32,000 within just four months. Gavin said that taxpayers are coming in to clear their tax records since the word is out that delinquent taxpayer names may appear on the Internet.

Implications: The response from the public and from other states has been significant, reported Schneider, with taxpayers saying "it's about time the state did something about this." No one has said, Schneider commented, "how dare you do this."

The interest from other states and the IRS as to how to get on board with a similar program has

been significant, noted Commissioner Gavin, with Illinois being the latest state to contact the Department on May 20 as to how to set up a similar list on their own Internet home page. Packages of how-to materials have already been forwarded to Georgia, Massachusetts, Michigan, and North Carolina, Gavin said. As far as it has been researched no other state has a comparable statutory directive in place requiring public disclosure, Schneider said. Alternatively, if such a provision exists in another state's statute, it is not being used.

As an aside, Gavin suggested that if the IRS were to set up such a program, it would be most successful if it included the top 100 delinquencies for each state, rather than the top 100 delinquencies across the country.

Future Plans

Commissioner Gavin commented that the next step for the Department may be to list on their home page the five most-wanted tax criminal evaders ("deadbeats"), taxpayers who have gone underground or left the state. He noted that even states without a statutory provision in place authorizing disclosure of the identity of taxpayer delinquents could distribute this information over the Internet because the information becomes public as soon as an arrest warrant is out on someone. (Telephone Conversations with Commissioner Gene Gavin, Connecticut Department of Revenue Services, May 20, 1997, and Ellen Schneider, Spokesperson for Connecticut Department of Revenue Services, May 19 and 20, 1997.)

■ INCOME TAXES

■ ARIZONA

Tax on Out-of-State Dividends Not Discriminatory

A repealed statute that imposed an Arizona income tax on dividends received by shareholders from out-of-state corporations, but not on dividends from Arizona-based corporations, did not discriminate against an Arizona resident who was taxed on dividends from out-of-state corporations.

The taxpayer claimed that the statute imposed a tax penalty on businesses conducting a majority of their business outside Arizona and discouraged individuals from investing in these corporations. The taxpayer argued that her rights to equal protection of laws under the Arizona and U.S. Constitutions were violated and that the statute impeded interstate commerce in violation of the U.S. Commerce Clause.

The Board of Tax Appeals had no authority to declare a statute unconstitutional but could determine



STATE OF CONNECTICUT
DEPARTMENT OF
REVENUE SERVICES

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For Immediate Release

Wednesday, April 1, 1998

Connecticut Internet Tax Delinquency List gaining international interest — \$25 million collected

Hartford — Connecticut Tax Commissioner Gene Gavin today released a progress report on the Internet Top 100 Tax Delinquency List that the Department of Revenue Services (DRS) has been publishing since January 1997 on the Agency's Internet home page. Through February 1998, DRS has collected approximately \$25 million from accounts eligible for listing. Almost \$14 million in future payments of outstanding overdue taxes is anticipated as taxpayers complete payment plans already confirmed.

DRS has received inquiries from twenty states and the Province of Ontario for the program. In addition, the program won a 1997 Gold Connecticut Innovation Prize from the Connecticut Quality Improvement Award Partnership.

"The Top 100 List has been an overwhelming success by any measure," said Commissioner Gavin. "Connecticut was the first state to reach into cyberspace for state tax compliance, and based on our success and the number of inquiries we've received from other states and Canada, many of them will be following our lead."

The Top 100 Tax Delinquency List contains the names of the Connecticut taxpayers owing the greatest tax dollar amounts, plus any penalty and interest, for a period of ninety days after all appeal rights have expired. Delinquency in any of the more than forty types of taxes that Connecticut levies may earn one a position on the List.

Approximately 740 taxpayer accounts have been considered for publication because they owed large sums of tax money to Connecticut for greater than 90 days. Although each eligible taxpayer has already had the opportunity to appeal the tax debt, both within the Department and in court, each taxpayer is sent a certified letter two weeks in advance of the proposed Internet publication. Often, receiving the certified letter gives the taxpayer the incentive to contact DRS to arrange payment of the tax bill, thus sparing the publication of the taxpayer's name and tax debt to friends, neighbors and business associates on the Internet.

Through February 1998, DRS has collected over \$24.5 million dollars from accounts eligible for listing. Approximately \$13.7 million in future payments of outstanding overdue taxes is anticipated as people complete payment plans already confirmed.

The Internet List has added an important tool for Agency agents who are trying to collect taxes owed. An unexpected bonus has been the increased willingness of taxpayers who owe smaller amounts of back taxes to come forward. The Agency's monthly accounts receivables count has shrunk by almost 30 percent .

Commissioner Gavin emphasized that the Internet Top 100 List demonstrates his Agency's commitment to protecting honest taxpayers. And, he added, since the first month of publication, not one of those taxpayers listed has been able to claim that the tax amount listed was not owed to Connecticut.

"The List sends a very strong message to all taxpayers that Connecticut will not give "big guys" more favorable treatment when they owe taxes," he said. "It also gets the word out to taxpayers in financial difficulty that DRS will work with them to arrange payment of tax debts over time through payment plans."

Connecticut citizens have been very enthusiastic and supportive of the publication of tax delinquents. The Agency has been receiving notes and calls from the public saying they are "happy to see we are doing this," and "it's about time someone got tough with deadbeats."

"DRS has created a new public stockade for the electronic age, exposing tax deadbeats to 'cybershame!'" said Gavin. "This is the most cost effective and efficient compliance tool that the Agency currently possesses, and we're proud of it!"

The Top 100 List is located on the DRS Web site, <http://www.state.ct.us/drs>.

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The Website of Shame

According to the Department of Revenue, Wisconsin is the only state, or one of two, which will give information on individual taxes, but not on delinquent taxpayers. Chapter 71.78(2) allows for anyone to fill out a form and pay \$4. They will then receive information on “the net Wisconsin income tax, Wisconsin franchise tax or Wisconsin gift tax reported as paid or payable in the returns filed by any individual or corporation for any individual year...”

However, if that individual or corporation is delinquent in their taxes, that information is not available. Information forwarded to the requester will include only an amount of taxes paid (a zero, if no taxes have been paid), with no information on whether the account is paid in full.

According to Mike Clemens, of the Illinois Department of Revenue, there are only three circumstances under which they can disclose private tax information: if they go to court, if they impose a lien, or if a taxpayer is more than \$10,000 delinquent for more than 6 months.

Any taxpayer who becomes delinquent, owing more than \$10,000 for 6 months, becomes eligible for inclusion on a publicly published list of delinquent taxpayers. That list is available in print form, but it's also available on the Internet. You can either browse it page by page, or search for a specific person.

The first step in the Illinois cybershame plan is to send a registered letter to all qualified delinquent taxpayers 90 days prior to publication, and give the recipient 65 days to make good – they can pay, enter into payment agreement, or show that they are not delinquent. Illinois DOR's Sandy Wright, who administers their program, says that's their biggest tool – it's the letter that really brings the money in. Since 1999, \$24.7 million in delinquent taxes have been collected on 2,610 cases. Another 243 taxpayers have entered into payment agreements, totaling \$15.3 million. And another \$12.9 million in adjustments have been made. Total impact: \$55.2 million.

Illinois sent out over 7000 letters to the top delinquent taxpayers on Monday, April 23rd. The Potential liability on those accounts is \$489 million.

The website is: <http://www.revenue.state.il.us/IDT/IDTReport.html>

Assembly Bill 281, the Website of Shame, works like this. Every month, the DOR would be required to prepare a list of all taxpayers who are delinquent in an amount greater than \$25,000, and who have been so for at least 90 days past the date of their final appeal. That will prevent a taxpayer who makes a simple mistake, or who is the victim of a government mistake, from being included.

That list will be maintained in printed form, and will be available to the public. In addition, the top 100 delinquent taxpayers will have their names, addresses, the type of tax owed, and the

amount owed, listed on a DOR web page. This list will include businesses, corporations, and individuals.

The DOR will update the list monthly, but will also be required to remove the names of those who pay, who make arrangements to pay, or who show that they are not delinquent, by the next business day.

In Wisconsin, \$700 million is owed in delinquent taxes as of March 31 of this year. In June of 1999, the top 100 overdue accounts totaled over \$52 million. We don't know whom those accounts belong to, because in Wisconsin, we're not allowed to know.

The Website of Shame will be a tool for Wisconsin to shine a light on those who make a game out of avoiding paying their taxes, and to collect the taxes that are due.

- Article in Journal Sentinel on Wednesday, April 25 – state budget estimated \$500 million underfunded.
- Gov. McCallum wants to use \$350 million of the tobacco settlement securitization to shore up the general fund.
- The state of Wisconsin is owed just under \$700 million in delinquent taxes.

State of Connecticut delinquent taxpayer web page:

Their website is: <http://www.drs.state.ct.us/delinq/top100.html>

State of Illinois delinquent taxpayer web page:

The website is: <http://www.revenue.state.il.us/IDT/IDTReport.html>

Fiscal Estimate - 2001 Session

Original Updated Corrected Supplemental

LRB Number 01-0038/1	Introduction Number AB-281
Subject Require DOR to create a Web site that posts information about delinquent taxpayers	
Fiscal Effect	
State:	
<input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local:	
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected	
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.566 (1)(a)	
Affected Ch. 20 Appropriations	
Agency/Prepared By DOR/ Dennis Collier (608) 266-5773	Authorized Signature Dennis Collier (608) 266-5773
Date 4/13/01	

Fiscal Estimate Narratives

DOR 4/13/01

LRB Number 01-0038/1	Introduction Number AB-281	Estimate Type Original
Subject Require DOR to create a Web site that posts information about delinquent taxpayers		

Assumptions Used in Arriving at Fiscal Estimate

This bill would require the Department of Revenue to maintain a list, in printed and electronic form, of delinquent taxpayers owing amounts in excess of \$25,000 and to post and maintain a list of the 100 largest delinquent taxpayers on an Internet site.

Publicizing, or threatening to publicize, their delinquent status may encourage some delinquent taxpayers to pay amounts owed to the state that otherwise would not have been collected. However, the potential revenue gain from this bill cannot be estimated, in particular because it cannot be known whether taxpayers paid delinquent amounts only because their names were included on this list or whether they would have paid their delinquencies anyway.

The Department would incur one-time programming and related costs of \$47,400 and ongoing costs associated with maintenance of the list of \$2,500. The bill does not provide funding for these costs.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 01-0038/1		Introduction Number AB-281	
Subject			
Require DOR to create a Web site that posts information about delinquent taxpayers			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
\$47,400			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs	2,500		
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$2,500		\$
B. State Costs by Source of Funds			
GPR	2,500		
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>		<u>Local</u>
NET CHANGE IN COSTS	\$2,500		\$
NET CHANGE IN REVENUE	\$		\$
Agency/Prepared By		Authorized Signature	
DOR/ Dennis Collier (608) 266-5773		Dennis Collier (608) 266-5773	
		Date	
		4/13/01	