

**2007 DRAFTING REQUEST**

**Bill**

Received: 01/11/2007

Received By: jkreya

Wanted: As time permits

Identical to LRB:

For: Administration-Budget

By/Representing: Easton

This file may be shown to any legislator: NO

Drafter: jkreya

May Contact:

Addl. Drafters:

Subject: Tax, Other - miscellaneous

Extra Copies:

Submit via email: NO

**Pre Topic:**

DOA:.....Easton, BB0334 -

**Topic:**

Increasing delinquent tax collections

**Instructions:**

See Attached

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?				_____			State
/1	jkreya 01/11/2007	wjackson 01/11/2007	rschluet 01/12/2007	_____	sbasford 01/12/2007		State
	jkreya 01/31/2007	kfollett 01/31/2007		_____			
/2			rschluet 01/31/2007	_____	cduerst 01/31/2007		

FE Sent For:

<END>

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/1	jkreye 01/11/2007	wjackson 01/11/2007	rschluet 01/12/2007		sbasford 01/12/2007		

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Handwritten: 1/2/gf, 1/31

Handwritten: Signature, 1/31, <END>

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/?	jkreye	1/11/07					

FE Sent For:

<END>

## 2007-09 Budget Bill Statutory Language Drafting Request

- Topic: Increasing Delinquent Tax Collections
- Tracking Code: BB0334
- SBO team: Tax and Local Government
- SBO analyst: Easton
  - Phone: 6-7597
  - Email: Darren.easton@wisconsin.gov
- Agency acronym: DOR
- Agency number: 566
- Priority (Low, Medium, High): Medium

**Legislative Proposal Summary  
Wisconsin Department of Revenue  
IS & E Division**

**October 20, 2006**

**TITLE: INCREASE DELINQUENT TAX COLLECTIONS BY INTENSIVE  
COLLECTION EFFORTS PRIOR TO REFERRAL TO COLLECTION AGENCIES**

**DESCRIPTION OF CURRENT LAW AND PROBLEM**

The department refers a portion of delinquent tax collection cases to private collection agencies contracted by the State of Wisconsin Department of Administration for collection services. We currently have \$411,317,000 placed with collection agencies. In FY 2006, the agencies collected \$5,253,500 on accounts placed with them (subtracted commissions and also does not include refund offsets and wage certification payments which are counted as department collections). The agencies were paid \$1,447,600 in commissions. Commissions paid to each collection agency range from 11.5% to 20% under contracts with the State of Wisconsin Department of Administration.

The collection agencies normally collect between 1% and 2% of the amount referred to them. The Compliance Bureau, through appropriate staffing and intensive collection efforts when assessments and billings first go delinquent, can collect more than what is being collected by the private collection agencies.

**RECOMMENDATION FOR ACTION**

Reassign the three existing revenue agent positions from working with collection agencies to performing direct collections for accounts that would have been assigned to collection agencies. Add 7 project-permanent revenue agent positions to the Compliance Bureau for the intensive collection efforts of cases normally referred to collection agencies.

Substantially reduce the use of collection agencies for delinquent tax collection work. Only those cases that have undergone the initial intensive collection efforts will be referred. Use collection agencies as a last collection resort. Any use of collection agencies thereafter will require the payment of commissions on amounts collected, and will also require the use of existing staff to service the agencies.

**ADMINISTRATIVE IMPACT**

This proposal will have a net effect of increasing delinquent tax collections. The costs of 7 project positions and additional postage to send monthly account statements to accounts formerly assigned to collection agencies will be substantially less than the costs of commissions. Based on department collection performance, trained project positions will generate more revenues than the combined collection agencies are currently generating.

We recommend substantially reducing, but not eliminating, the use of private collection agencies. Only those cases that have undergone the initial intensive collection efforts will be referred. We will use collection agencies as a last resort. Any use of collection agencies will require the payment of commissions on amounts collected, and will also require the use of existing staff to service the agencies.

Estimated net increase in collections is \$6,145,400. See attached worksheet.

### **FAIRNESS/TAX EQUITY**

Tax fairness and equity will improve because the department will be able to increase collections of delinquent taxes, which will lessen the tax burden for the majority of the taxpaying citizens of Wisconsin.

### **IMPACT ON ECONOMIC DEVELOPMENT**

No impact.

### **FISCAL EFFECT**

Net increase in delinquent collections = **\$6,145,400**

See attached worksheet for details.

### **DRAFTING INSTRUCTIONS**

Amend Sec. 20.566(1), Wis. Stats. to add *Collections From 3 Revenue Agent FTE and 7 Revenue Agent Project Positions*. From the money received from delinquent tax collections a sum sufficient to pay the cost of 7 project positions and postage costs for monthly account statements to accounts assigned to this group, for collection of those taxes.

### **EFFECTIVE DATE AND/OR INITIAL APPLICATION**

Effective date should be 3 months after approval.

*for the costs of collecting these taxes*

### **INTERESTED/AFFECTED PARTIES**

Delinquent taxpayers and the collection agencies used to collect delinquent accounts are the affected parties.

### **DOR CONTACT PERSON**

Diane Hardt, 266-6798  
[Dhardt@dor.state.wi.us](mailto:Dhardt@dor.state.wi.us)

**PREPARED BY** Catherine Bink  
October 20, 2006

## NET REVENUE TO ADD PROJECT POSITIONS AND REDUCE USE OF COLLECTION AGENCIES

Estimated agent collections 7 x \$1,200,000 (includes refunds, certs, & levies)	\$8,400,000	
3 existing GPR agents 3 x \$1,200,000	<u>\$3,600,000</u>	
<b>Estimated total collections</b>		<b>\$12,000,000</b>
 <b>Net revenue from collection agencies*</b>		 <b>(\$5,253,500)</b>
7 additional revenue agent project positions	(\$490,000)	
Additional postage for monthly WINPAS statements	<u>(\$111,100)</u>	
<b>Additional Costs**</b>		<b>(\$601,100)</b>
 <b>Net Revenue</b>		 <b><u>\$6,145,400</u></b>

\* Net collection agency revenue is calculated by taking FY '06 collections of \$8,339,800 - wage certifications & levies DOR collected of \$1,638,700 - commissions paid of \$1,447,600 = \$5,253,500.

\*\* Costs of the 3 existing permanent revenue agents were not subtracted from the net collections because these positions already exist and are funded in the Compliance Bureau. The focus of their work will change from supporting the collection agencies to acting as collectors and coaches/mentors for the project staff so the project staff quickly learn their jobs and become productive.

There will be additional one-time costs of \$21,500 for computer hardware and software and office equipment.

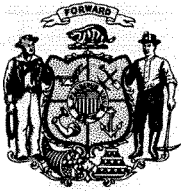
There may still be a role for collection agencies to play in DOR delinquent tax collections after we more aggressively work the accounts. If we continue to use collection agencies in a reduced role, we will incur administrative costs and provide at least one agent to support the collection agency work.

### COLLECTION AGENCY RESULTS FY 2006

Collections		\$8,339,800
less refund offsets, certifications & levies		(\$1,638,700)
less commissions paid		<u>(\$1,447,600)</u>
 <b>Actual collections from Collection Agencies</b>		 <b><u>\$5,253,500</u></b>

Amount referred in FY 2006		\$232,708,344
Amount outstanding as of 6/30/06		\$411,317,400

D. L. Hardt  
9/8/2006



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-1469/1

JK:.....

WLY

DOA:.....Easton, BB0334 - Increasing delinquent tax collections

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

in 1-11-07

DO NOT GEN

1 AN ACT ...; relating to: the budget.

---

*Analysis by the Legislative Reference Bureau*

✓ TAXATION  
✓ OTHER TAXATION

This bill creates an appropriation to pay for the costs of having DOR collect delinquent state taxes.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

---

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

2 SECTION 1. 20.566 (1) (hb) of the statutes is created to read:

3 20.566 (1) (hb) *Collections by the department.* From moneys received from the  
4 collection of state delinquent taxes, a sum sufficient to pay for the costs of collecting  
5 those taxes.

\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

6 (END)



**Kreye, Joseph**

---

**From:** Easton, Darren - DOA  
**Sent:** Wednesday, January 31, 2007 10:52 AM  
**To:** Kreye, Joseph  
**Subject:** FW: LRB Draft: 07-1469/1 Increasing delinquent tax collections  
**Attachments:** 07-1469/1

Hello Joe,

We want to amend the language on this one to read:

From moneys received from the collection of EXTRAORDINARY TARGETED state delinquent taxes, ~~a sum sufficient~~ the amounts in the schedule to pay for the costs of collecting those taxes. NOTWITHSTANDING S. 20.001 (3) (A), AT THE END OF THE FISCAL YEAR THE UNENCUMBERED BALANCE OF THIS APPROPRIATION ACCOUNT LAPSES TO THE GENERAL FUND.

We don't want all the delinquent tax money going into this account only that money received through a new and reorganized group of auditors the department is adding.

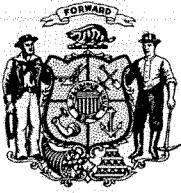
Thanks,

Darren

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**From:** Schlueter, Ron [mailto:Ron.Schlueter@legis.wisconsin.gov]  
**Sent:** Friday, January 12, 2007 8:39 AM  
**To:** Easton, Darren - DOA  
**Cc:** Koskinen, John - DOA; Hanaman, Cathlene - LEGIS; Palchik, Laurie A - DOA  
**Subject:** LRB Draft: 07-1469/1 Increasing delinquent tax collections

*Following is the PDF version of draft 07-1469/1.*



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-1469/A  
JK:wlj:6  
KJF  
1/2  
Munich

DOA:.....Easton, BB0334 - Increasing delinquent tax collections  
FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

1-31-07

extraordinary, targeted  
Don't Gen

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

OTHER TAXATION

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3 20.566 (1) (hb) Collections by the department. From moneys received from the

4 collection of state delinquent taxes, ~~a sum sufficient~~ to pay for the costs of collecting

5 those taxes.

\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

6 (END)

Notwithstanding s. 20.001 (3)(a), at the end of the fiscal year, the unencumbered balance of this appropriation account lapses to the general fund.



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-1469/2  
JK:wlj&kjf:rs

DOA:.....Easton, BB0334 - Increasing delinquent tax collections  
FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

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*Analysis by the Legislative Reference Bureau*

**TAXATION**

**OTHER TAXATION**

This bill creates an appropriation to pay for the costs of having DOR collect delinquent state taxes.

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

2 SECTION 1. 20.566 (1) (hb) of the statutes is created to read:

3 20.566 (1) (hb) *Collections by the department.* From moneys received from the  
4 collection of extraordinary, targeted state delinquent taxes, the amounts in the  
5 schedule to pay for the costs of collecting those taxes. Notwithstanding s. 20.001 (3)  
6 (a), at the end of the fiscal year, the unencumbered balance of this appropriation  
7 account lapses to the general fund.

\*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

1

(END)