



State of Georgia Commissioner Bart L. Graham

Compliance as the Highest Priority



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Perspective

- Became Commissioner in June 2003
- Initiated reorganization of DOR in July 2003
- Established magnitude of past due receivable problem in August-September 2003

As of September 2003, 420,693 taxpayers owed \$1.6B in outstanding tax obligations dating to 1988.



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Recognition of the Problem

- Reductions in budget and staff in recent years compounded by the state's economic growth exacerbated delinquencies
- Priority was to find new ways to "do business", in essence motivating taxpayers to do the work
- Initiated strategies turning industry sectors against each other so their cash flow was at risk
- No preferential treatment
- Continuously reiterate priority to avoid reputation of being overzealous
- Resolve for fairness and accountability in tax system, made public, would have statewide support



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Cultural Change

- Cultural redirection from “Help us get \$5 million in additional appropriation and we’ll collect \$50 million” to “We’re going to collect over \$100 million with what we have and then ask for more assistance”
 - **Legislators could not fail to respond with past dues exceeding \$1.6 billion**
 - **The reorganization showed we were willing to squeeze out all non-essential functions**
- Cultural shift from “We don’t have enough time, money or people to do our job” to “Execute ways to make taxpayers be accountable for themselves”
- DOR gave its best customer service to the worst tax delinquents
- If you put pressure on someone’s money source, there is nothing they won’t do to cooperate



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Developed 4-Phase Collection Initiative Program

- Phase I
 1. Individual taxpayers
 2. Reduce time from 480 days to 165 days to get delinquent accounts into the hands of private collection agencies
 3. Used existing staff and funding
- Phase II
 1. Trust accounts (withholding and sales & use tax)
 2. Emphasis on large dollar, newer delinquent accounts with high probability of collection
 3. Reduce collection cycle from 480 days to 245 days



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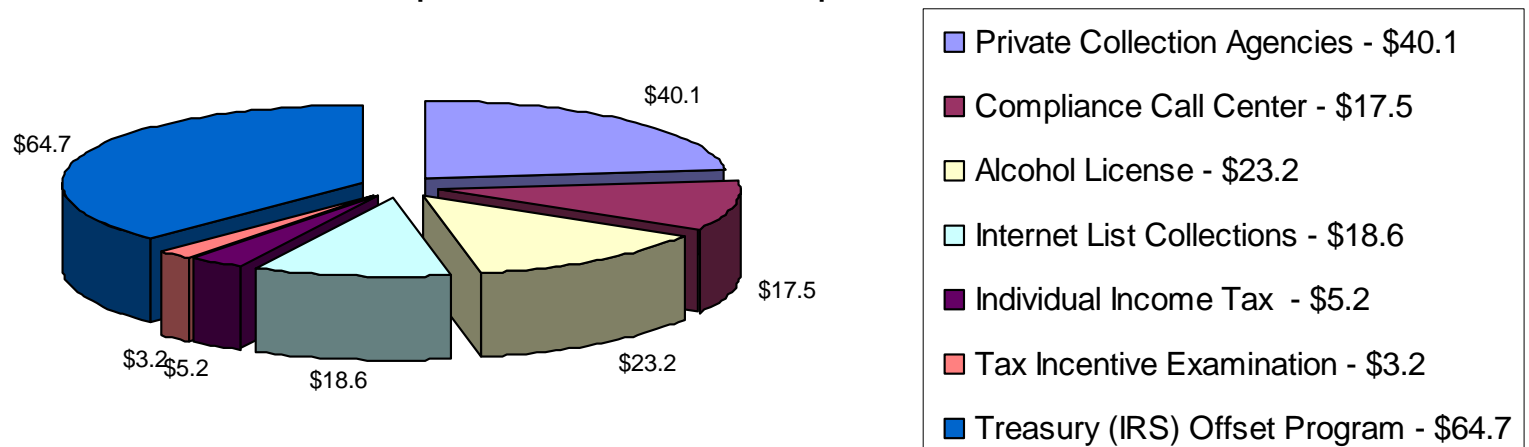
- Phase III
 1. Increase/accelerate delinquent income tax investigations
 2. Establish task force priorities to work delinquent accounts
 3. 15 additional out of state funded auditor positions in FY 2006 budget
 4. Formation of a special investigation and litigation group to aggressively scrutinize refund schemes of multiple returns and ineligible dependents

- Phase IV
 1. Establish greater enforcement presence in tax incentive area
 2. Comprehensive review of incentives taken by companies



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Inception November 2003 Thru September 2005



Total Collections from Initiative = \$172.5 Million



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Execution of Plan

- Stopped Renewing Alcohol License of Those With Outstanding Tax Obligation
 1. Initiated October – December 2003
 2. As of September 30, 2005 collected \$23.2M
- Treasury Offset Program
 1. Increased participation in program in both 2003 and 2004
 2. As of September 30, 2005 collected \$64.7M
- Private Collections Agencies
 1. Get accounts to PCAs faster
 2. As of September 30, 2005 collected \$40.1M



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- Call Center
 1. New final effort to resolve debt prior to fifa and private collection agencies
 2. As of September 30, 2005 collected \$17.5M
 3. Invested \$37,800 to establish this group

- Internet Posting of Tax Lien Filing
 1. Began posting names of individuals in February 2004, no exceptions made
 2. May 2004, expanded list to include names of corporate officers
 3. List now contains 14,894 businesses and names of 14,106 individuals and corporate officers
 4. As of September 30, 2005 collected \$18.6M



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New Organizations

- Special Levying Team
 1. **Manage and resolve delinquent accounts**
 2. **Liquidation of unsolvable delinquent accounts, commercial only**
 3. **Five-member team**
 4. **Train other agents**
 5. **Allows field office staff to stay on mission**
- Litigation & Special Investigation Division
 1. **Initial interest in direct deposit income tax fraud**
 2. **Expand investigations to include all tax types – notably trust taxes**
 3. **Build cases for prosecution**
 4. **Maintain a good relationship with the Attorney General's office**



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General Comments

- Be available to media to explain program's purpose and goals
- Positive feedback from media and public
- Continually communicate goals, objectives and results to administration, public and legislative branch



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Increasing Visibility of Compliance Efforts

"State going after tax deadbeats"
Atlanta Business Chronicle -
9/22/2003

*"Official: Thousands of liquor license
holders owe back taxes"*
Associated Press - 10/8/2003

"State's delinquent tax list grows"
Calhoun Times - 3/24/2004

*"Not Paying state taxes? You're
on the web"*
Camilla Enterprise - 5/25/2004

*TV Coverage of Internet Listing of Tax
Delinquents*
CBS Evening News - 4/14/2004

*"Let there be no refuge when state
employees ignore their tax bills"*
Athens Banner-Herald - 7/13/2004

*"State attempts to collect unpaid use
taxes"*
Atlanta Business Chronicle -
8/20/2004

*"Alcohol seized from site of 2
shootings"*
Atlanta Journal & Constitution -
10/22/2004

*Internet Listing of Tax Delinquents
Featured on National TV*
Fox Cable News - 7/6/2004



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Essentials for Success

- Treat everyone fairly, equitably and consistently
- Be resolute in initiating change
- Demonstrate the problem to the executive branch, the legislative branch and the public to drive it home regularly
- Establish and maintain a clear mandate so the compliance priority cannot be publicly ignored
- Demonstrate you hold your own department to a higher standard and a consistent standard
- Rewrite rules, regulations and install progressive penalties