

Virginia Department of Taxation Collections Overview

**FTA Annual Conference
Kenneth W. Thorson**

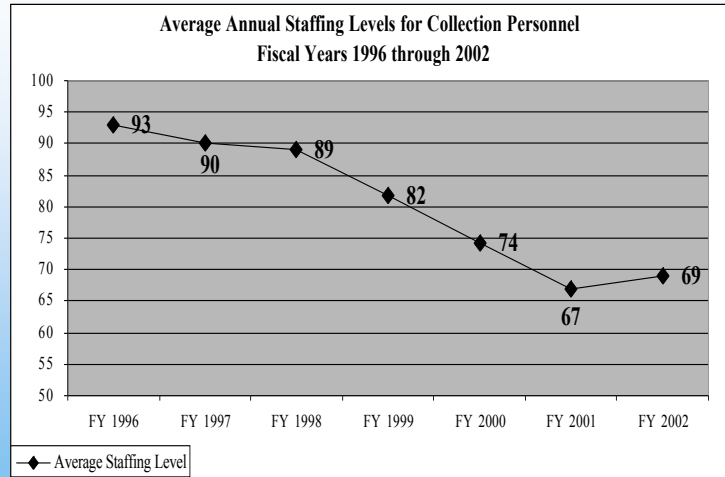
June 17, 2003

COLLECTIONS

Program Purpose

- **Encourage system of voluntary compliance by instilling in the public the conviction that nonpayment will result in serious consequences.**

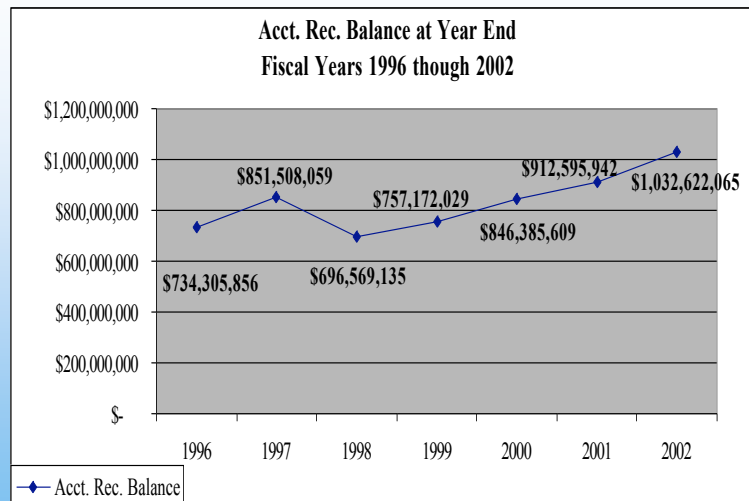
Problem 1: Staff Down



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Problem 2: Bills Up



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Virginia's Collection Applications

- **CACSG**
 - Computer Assisted Collections System for Government (AMS, Inc.)
 - Manage collection workloads
 - Implemented December 2001
- **Strata (AMS, Inc.)**
 - Decision management utility tool that improves collections through the use of risk-based decision approaches. By estimating the level of risk represented by each group of taxpayers, management can allocate resources appropriately and improve collections.
 - Uses empirical data and account history.
 - Implemented in September 1998.



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Risk Scores

- Risk scores assigned as taxpayers move into CACSG.
- STRATA models based on empirical & historic modeling techniques.
- Key tax attributes used to develop a risk score.
- Sample information used to develop models.
 - Sample included 66,073 business accounts and 70,956 individual accounts.
- Models developed for individual & business accounts.

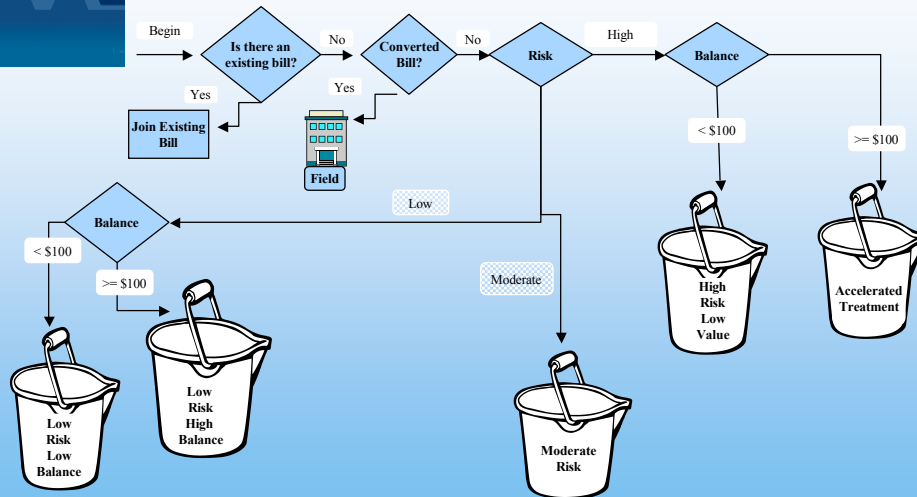
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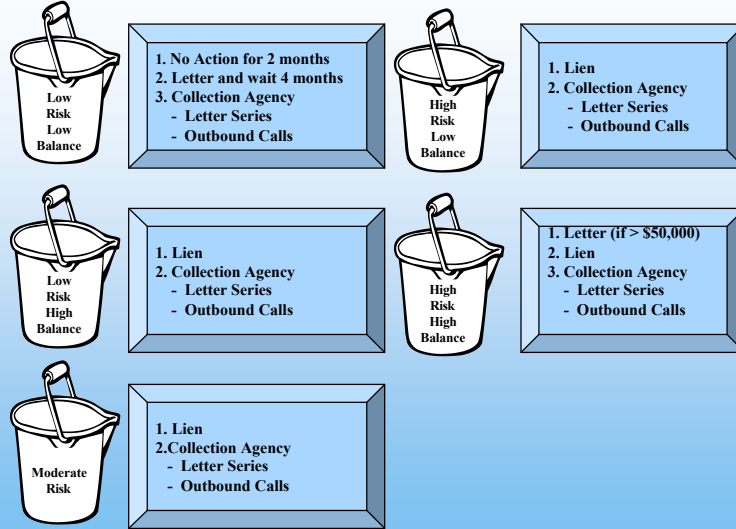
STRATA Modeling: Sample Criteria Used to Determine Risk Score

- Balance on assessment
- Payment history
- Tax type
- Reason for assessment
 - For example: individual nonfiler would be riskier than individual under-reporter
- Ratio of tax due to total liability
- Age of business
- Other business tax activity

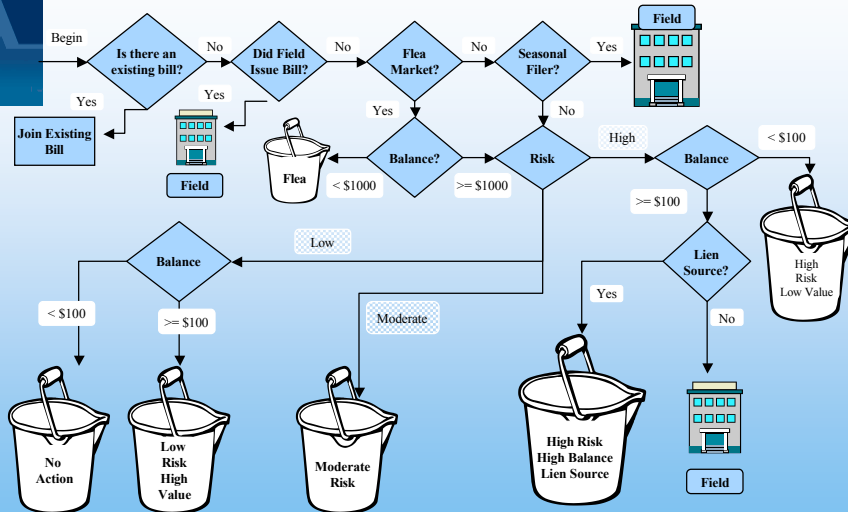
STRATA - Individual Collection Strategy



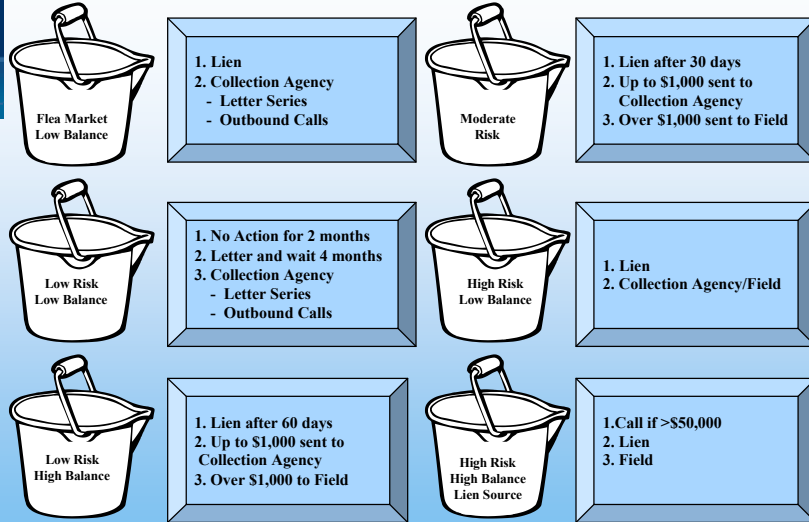
Individual Collection Scenarios



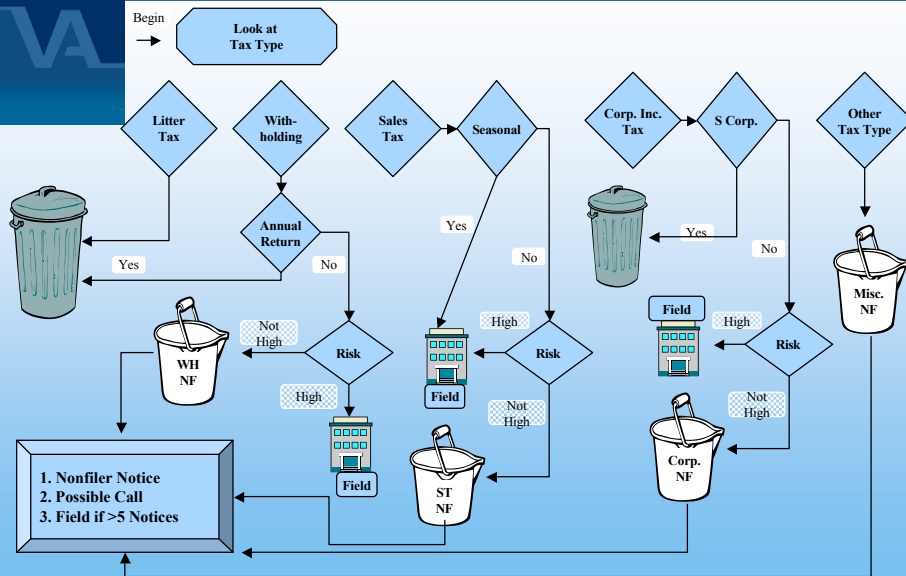
STRATA - Business Strategy



Business Collection Scenarios



STRATA – Business Nonfiler Strategy

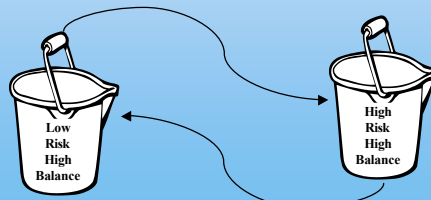


STRATA to CACSG

- CACSG re-evaluates accounts.
- CACSG may make new assignments.
- For example:



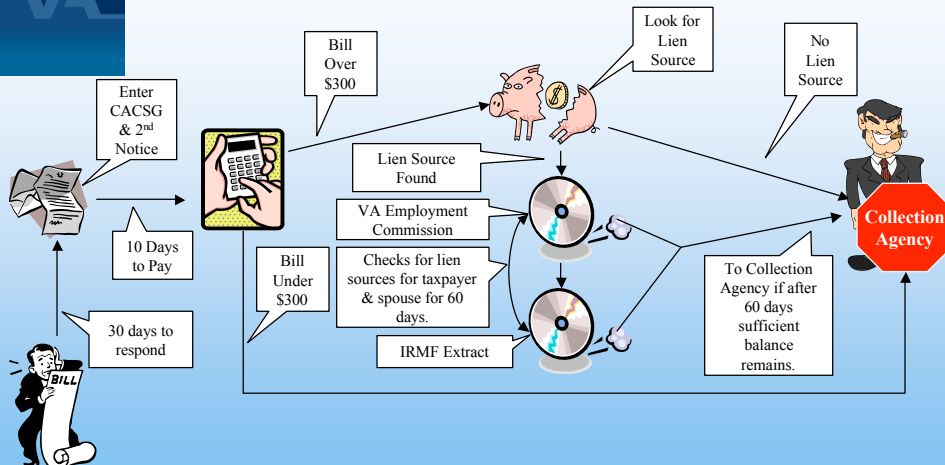
- A taxpayer has a \$100 pre-existing tax bill.
- STRATA would assign a new \$10,000 assessment to whatever queue or bucket that contains the \$100 bill.
- In CACSG, TAX personnel would modify this assignment and re-assign these assessments to a higher value queue or bucket.



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General Contact Process – Individual

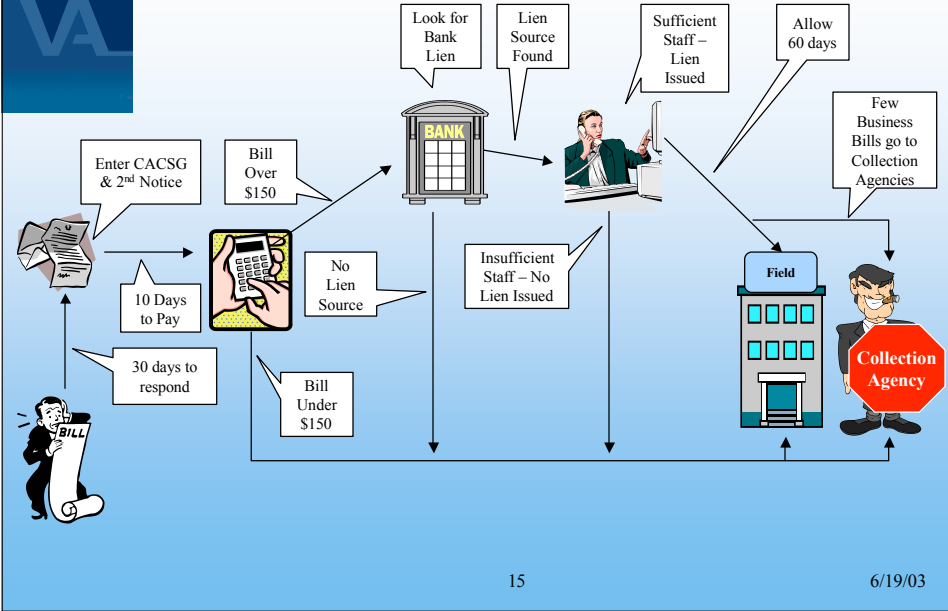


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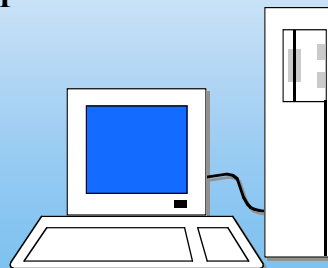
General Contact Process – Business



CACSG

Computer Aided Collection System for Government

- **Replacement for our current collection system**
- **“Go Live” - December 2001**



New Features

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CORRESPONDENCE REDESIGN

- Letters easy to read
- Payment tear-off vouchers



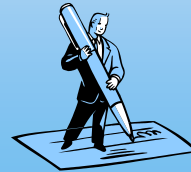
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AUTOMATED LIEN PROCESS

- **Eliminate manual review and handling of liens**
- **Electronic signature**
- **Issuing about 6,000 liens monthly as compared to 4,500 previously**



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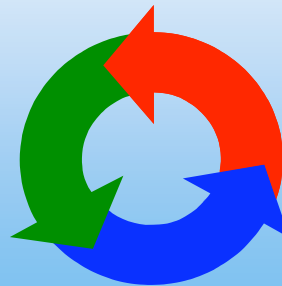
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CASE ROUTING

AUTOMATE CASE MONITORING AND SCHEDULING

- **Cases are automatically routed through the system based on TAX's work flow rules.**



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FIELD OPERATIONS

- **Collectors can download case information onto laptops**
- **Collectors can upload case notes**



TELEPLAN

- **Taxpayers can set up payment plans 24/7 without talking to a collector**
- **Old coupon books replaced with monthly reminder letters**



LIMITATIONS OF TELEPLAN

- **Plan cannot exceed 24 months**
- **Debt must be less than \$50,000**
- **Excludes cases with legal actions pending**

TELEPLAN BENEFITS

- **\$8.3 M paid through Teleplan payment plans since December 2001**
- **9,430 plans set up in FY 03 for debt totaling \$9.7 M**
- **2,001 plans defaulted and returned to the collection process**
- **Saved an equivalent of one man-year of collector time in FY 03**

OUTSIDE COLLECTION AGENCY

CONTRACT COLLECTION

Period	Assignments		Write off and Discharges		Collections		Complaints Per Year
	# of Accts.	\$ Amount	# of Accts.	\$ Amount	Gross	Net Amount	
FY 1997	115,154	\$245,630,457	n/a	n/a	\$5,361,759	\$4,572,128	116
FY 1998	137,692	\$256,252,104	219,451	\$229,263,435	\$20,960,141	\$17,969,552	117
FY 1999	87,094	\$196,784,676	116,317	\$99,789,122	\$21,024,137	\$17,917,042	78
FY 2000	75,115	\$187,516,108	86,092	\$87,301,349	\$20,812,855	\$17,722,394	32
FY 2001	95,986	\$194,894,833	81,778	\$101,475,249	\$27,170,808	\$23,181,819	19
FY 2002	84,332	\$163,323,922	60,420	\$62,456,960	\$27,562,417	\$23,439,169	16
Total:	595,373	\$1,244,402,100	564,058	\$580,286,115	\$122,892,117	\$104,802,104	378

Note: The Contract Collections program began in September 1996

We currently contract with 5 Collections Agencies who utilize 38 full time collectors .

CONTRACTED COLLECTION

AGENCY FEES

COLLECTION AGENCY:	OUTSTANDING BALANCE ON ACCOUNT			
	\$0 to \$99.9	\$100 to \$999.9	\$1,000 to \$9,999.9	\$10,000 to \$999,999.9
A	25.00%	25.00%	20.00%	15.00%
B	15.44%	14.05%	11.95%	7.95%
C	23.50%	20.30%	16.85%	10.39%
D	21.95%	18.95%	14.95%	8.95%
E	21.80%	21.00%	16.80%	9.80%

Note: Collection fees are reduced by 50% whenever 3rd party liens are utilized by the Department

Results Have Been Positive

