

Revenue Agencies & Businesses Working Together

Southeastern Association of Tax Administrators (SEATA)

Tuesday, July 17, 2018

Nashville, Tennessee

Presenters

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Tax Agency Objectives



- Implement & administer tax levies consistent with law & regulations
- Provide clear and timely information to taxpayers & tax professionals
- Ensure high rate of compliance

Taxpayer/Tax Provider Objectives



- Highest rate of compliance possible
- Lowest cost of compliance possible
- Few/no audit issues

Agencies/Business Working Together



- Implement & administer tax levies consistent with law
 - Input on enacted legislation, regulations, forms, etc.
 - Input on electronic applications
- Provide clear and timely information to taxpayers & tax professionals
 - Feedback on proposed regulations
 - Cooperation on getting communication out

Agencies/Business Working Together



- Ensure high rate of compliance
 - Responding to feedback on problem areas
 - Clarity in instructions; “plain language”
 - Simple registration process
 - Simple filing & payment processes
 - electronic processes
 - Uniform/simple authorization process
 - Publishing administration decisions if possible

Agencies/Business Working Together



- **Future Areas**
 - Expansion of Agency Portals
 - More agencies
 - More self-service functionality
 - Simple use by taxpayer's 3rd party provider
 - More electronic applications
 - Use of electronic signatures (POA)

Concern with Tax Administration Outside of Tax Agency



- Whistleblower/Qui Tax Actions
 - Illinois Experience
- Class Action Lawsuits
- Contingent Fee Auditing

Difficult Audits – Best Practices



- Providing Documentation
- Limiting Use of Waivers
- Settlements
 - When
 - Who
- Total Frustration – Who Do You Contact?
 - With Tax Agency
 - With Taxpayer

Issues with Corporate Income Taxes



- Alternative Apportionment
 - Burden of Proof
 - Guidance
- Nexus Standard
- Forced Combination
- Cost of Performance vs. Market Sourcing
- Reporting Federal Tax Adjustments

Issues with Sales/Use Taxes



- SSUTA – Uniformity & Simplicity
 - *What impact will Wayfair have?*
 - Access to Software – TPP or Service
- Nexus Standard
- Base Broadening
 - Business-to-Business Transactions
 - Review/Eliminating Exemptions
 - Taxing Services/Digital Goods

Issues with Tax Credit & Incentive Programs



- Is it just corporate welfare?
 - Are some credit/incentives better than others?
- How should compliance with a program be verified?
 - Weighing documentation costs v. program incentive benefits
- What should be the consequences for failure to comply with an credit/incentive?
 - Do claw-back provisions work and/or are they equitable?

Working with Associations



- Should revenue agencies give preference to certain associations?
 - Local v. National
 - CPA, Chambers, TP Assoc., Special Interests, Etc.
- Are associations too aggressive or lacking a complete understanding?
- Formal versus informal comments and/or meetings – what's the best approach?

Commissioners' Advisory Councils



- Purpose – Discuss policy, administration, dispute resolution, “best practices”
- Make-up: Practitioners, business – large & small, local govt, academics
- Governance – terms, responsibilities, expectations of confidentiality?
- Other outreach? Surveys, focus groups?

Dealing with Federal Tax Changes



- Should states automatically couple with federal tax changes?
- How important is uniformity with the IRC?
- Should states have more input before Congress changes the IRC?
- How are the states dealing w/recent changes:
 - Federal tax reform?
 - New federal partnership audit regime?

COST Administrative Scorecards



- Four Administrative Scorecards
 - State Administrative Practices Scorecard
 - Unclaimed Property Practices Scorecard
 - International Property Tax Scorecard
 - Sales Tax Systems Scorecard
- Goal is to work with both the legislative and executive branches of state government to improve state and local tax administration
 - Not an evaluation of revenue agencies

COST State Administrative Practices Scorecard

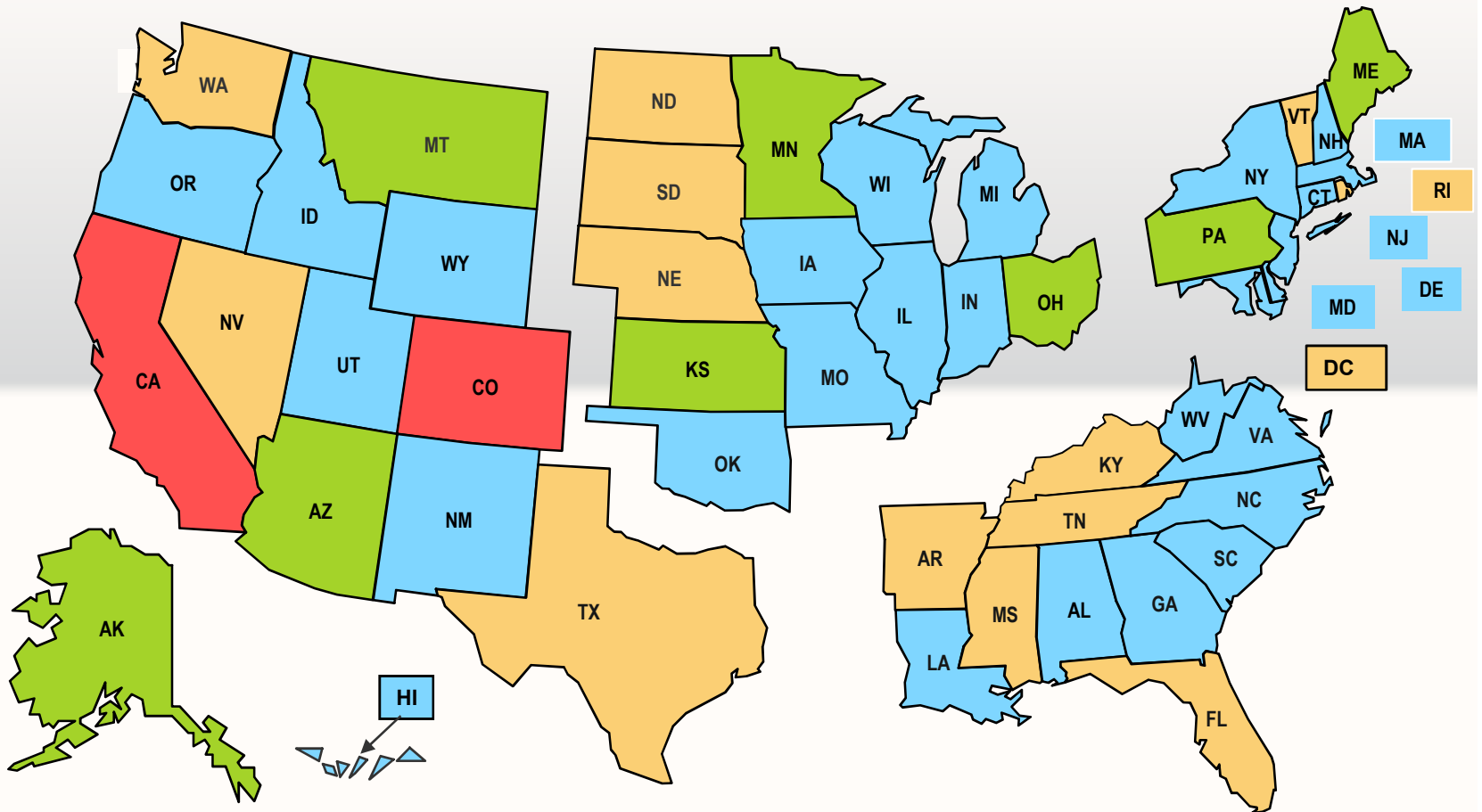


- Areas Evaluated:
 - Independent Tax Dispute Forum
 - Pay-to-Play Tax Litigation System
 - Even Statute of Limitations/Interest Rates
 - Adequate Appeal/Protest Period
 - Return Due Date/Automatic Extension
 - Filing IRS (RAR) Changes
 - Transparency

State Tax Administration Overall Grades



- A
- B
- C
- D



COST/IPTI International Property Tax Administration Scorecard

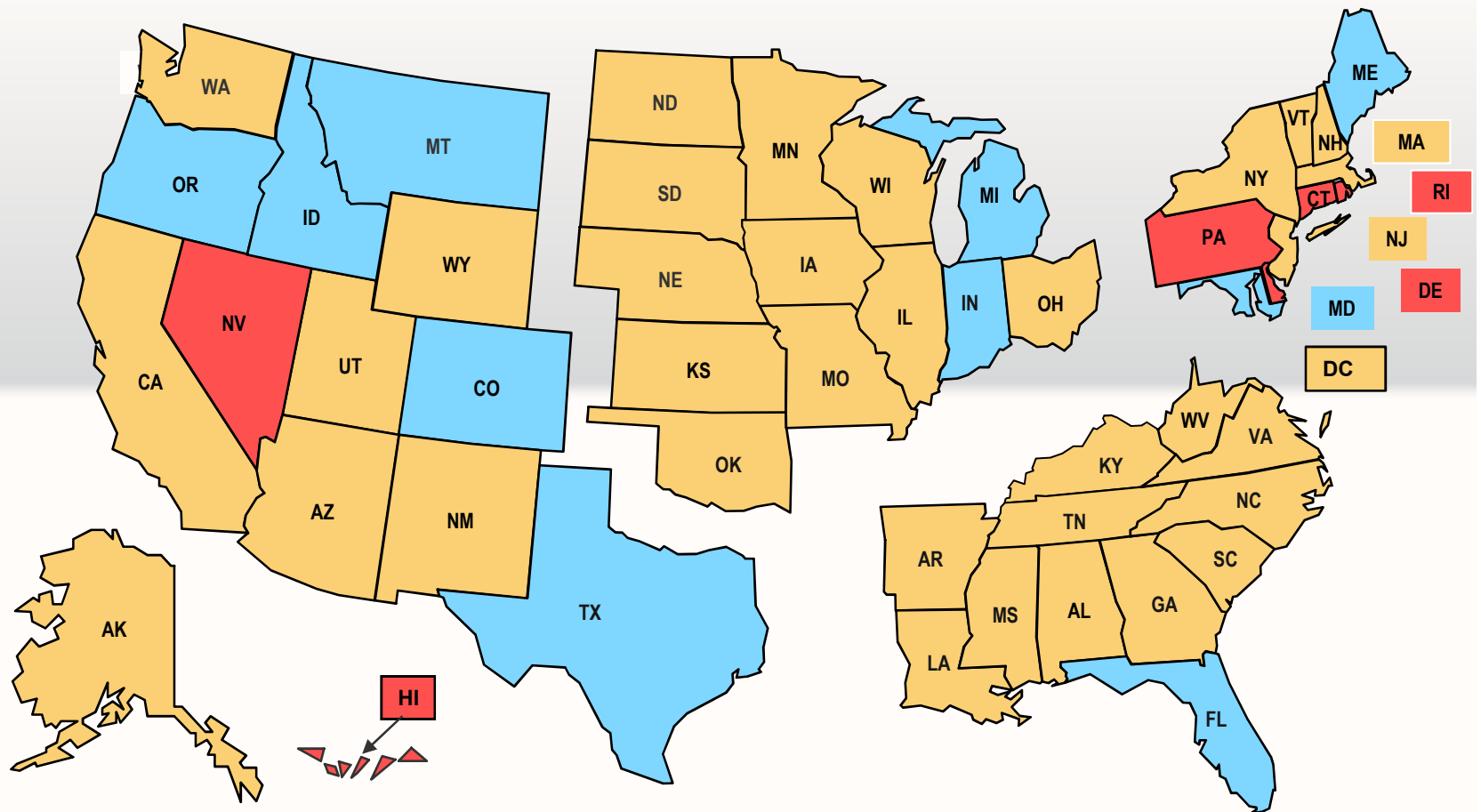


- Three Areas Evaluated
 - Transparency
 - Simplicity and Consistency
 - Procedural Fairness
- U.S., as a whole, did not do as well as other countries: Canada, United Kingdom, Australia, Hong Kong, & South Africa

Property Tax Overall Grade



- A
- B
- C
- D



Sales Tax Systems Scorecard



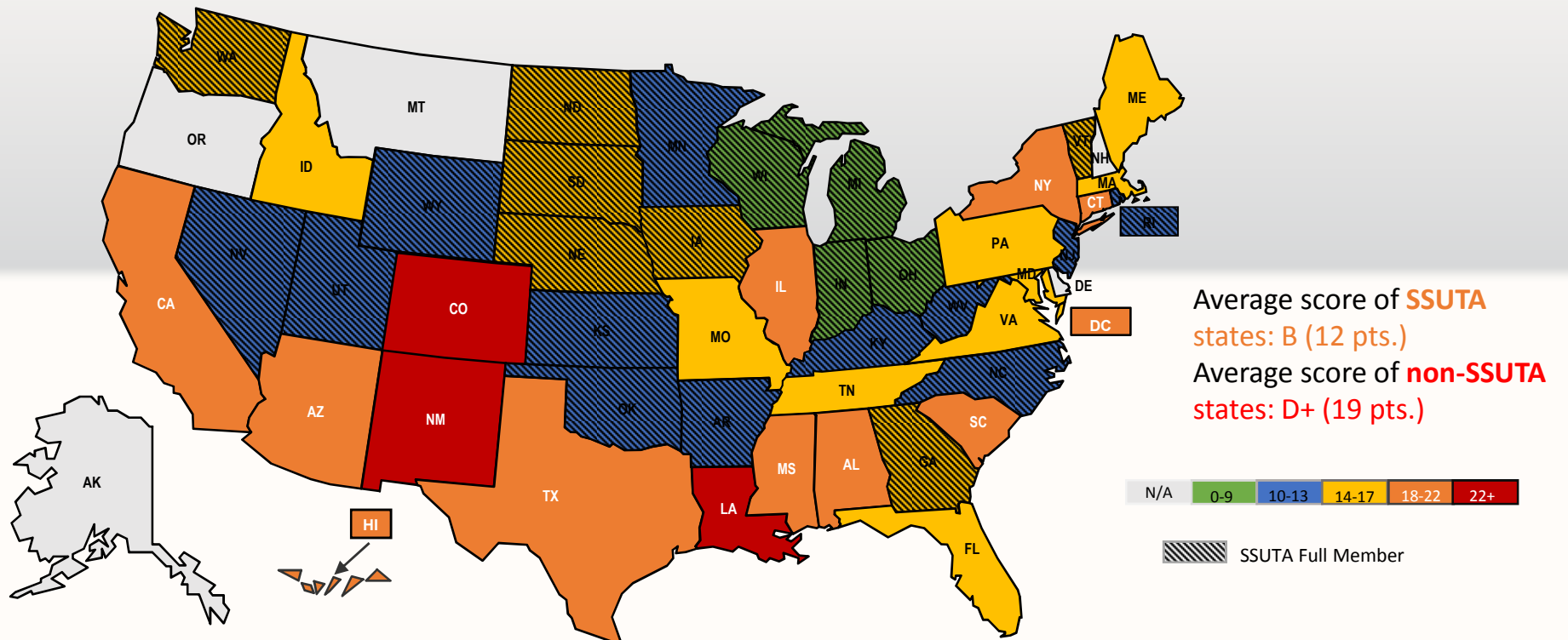
- **Six Areas Evaluated**
 - Exemption for Business-to-Business Transactions
 - Fair Sales Tax Administration
 - Centralized Sales Tax Administration
 - Simplification & Transparency
 - Reasonable Tax Payment Administration
 - Fair Audit/Refund Procedures
 - Other Issues Impacting Fair Tax Administration
- **What the Scorecard Does Not Grade**
 - Tax Rate Differences
 - Tax Base Breadth (other than Taxing Business Inputs)

Sales Tax Systems Scorecard

Overall Grade



States' Overall Scorecard Grades: SSUTA States



Unclaimed Property Scorecard

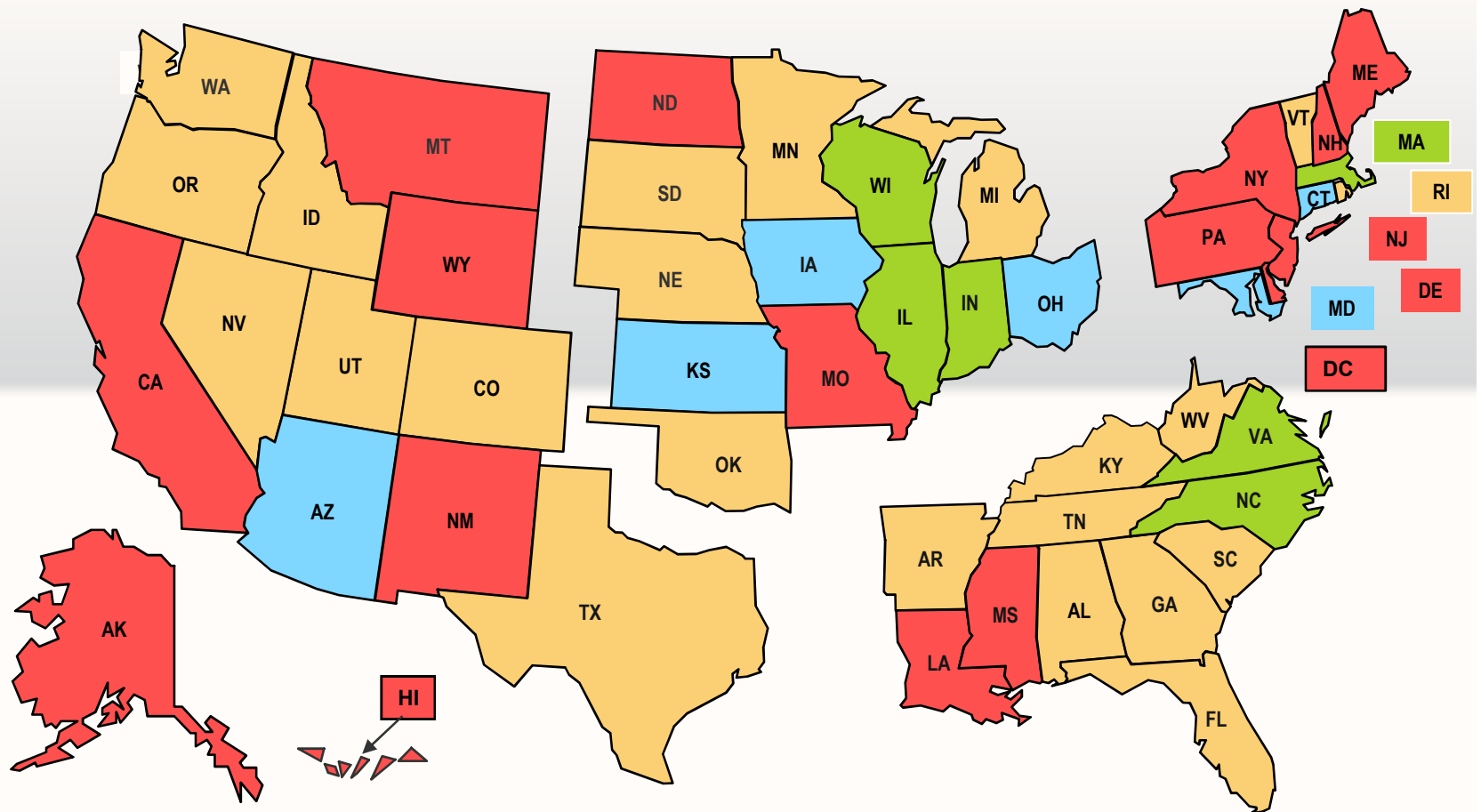


- **Seven Areas Evaluated**
 - **B-to-B Transactions Exempt?**
 - **Periods of Limitations**
 - **Independent Appeals Process?**
 - **Contingent Fee Audits Banned?**
 - **Gift Certificates Exempt?**
 - **Penalties**
 - **Treatment of Interest**

Unclaimed Property Overall Grade



- A
- B
- C
- D



Questions?

THANK YOU!

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