Revenue Agencies & Businesses Working Together

Southeastern Association of Tax Administrators (SEATA)
Tuesday, July 17, 2018
Nashville, Tennessee

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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
• 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
• 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 with 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
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

HI
ME
RI
VT
NH
MA
NY
CT
PA
NJ
DC
DE
WV
NC
SC
GA
FL
IL
OH
MI
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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

Average score of SSUTA states: B (12 pts.)
Average score of non-SSUTA states: D+ (19 pts.)
• 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
Questions?

THANK YOU!

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