United States General Accounting Office

GAO

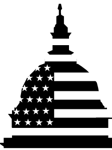
Report to the Joint Committee on Taxation

August 1999

TAX ADMINISTRATION

Few State and Local Governments Publicly Disclose Delinquent Taxpayers

GAO/GGD-99-165



United States General Accounting Office
Washington, D.C. 20548

General Government Division

B-282522

August 24, 1999

The Honorable Bill Archer
Chairman
The Honorable William V. Roth, Jr.
Vice Chairman
Joint Committee on Taxation

The Internal Revenue Service Restructuring and Reform Act of 1998 required the Joint Committee on Taxation to study whether greater levels of compliance might be achieved by publicly disclosing taxpayers who have not filed their required federal tax returns. This report provides the information about state and local public disclosure programs that you requested to assist you in your study. Specifically, our objectives were to determine (1) which state and local governments are operating programs to publicly disclose the names of taxpayers that are delinquent in paying the income taxes they owe or do not file income tax returns, (2) the differences, if any, among these programs, and (3) state and local revenue office officials' views on whether their disclosure programs are improving compliance. Because of your interest in the individual programs, we are also providing a description of those programs that we identified in appendix I.

Consistent with your request, in this report we define public disclosure as a process for proactively publicizing the names and other identifying information about taxpayers that are delinquent or do not file returns.[1] Such programs represent a departure from historical practice. As described later in this report, federal and state confidentiality statutes generally prohibit the disclosure of taxpayer information.

Results in Brief

Of the state and local governments we surveyed, only four states—Connecticut, Illinois, Montana, and New Jersey—and the District of Columbia are operating programs to publicly disclose the names and other information about individuals or businesses that are delinquent in paying income taxes. None of the programs include specific provisions for disclosing the names of taxpayers that simply fail to file their required tax returns. Instead, compliance employees are to assess taxes owed by nonfilers they have identified and then process nonfiler accounts in the

[1]As such, these proactive programs can be distinguished from other disclosures, such as a public notice pursuant to a legal action (e.g., when a lien is placed on a taxpayer's property).

same manner as other taxpayers' accounts. In the event that such nonfilers are found to be delinquent, they also become subject to public disclosure.

The five public disclosure programs differ in regard to their legal authority and operations. Like the federal government, the four states and the District of Columbia have tax provisions that protect the confidentiality of taxpayer information. Two states—Connecticut and Illinois—and the District have enacted legislation providing explicit statutory authority for their programs, notwithstanding confidentiality safeguards. The two other states—Montana and New Jersey—have not. Officials from these two states said that they do not need additional statutory authority to implement public disclosure because a tax delinquency is a matter of public record after certain legal action has been taken, such as filing a certification of debt in superior court, which is entered into a judgment docket. The programs also operate differently, varying as to the procedures leading up to disclosure, the media through which disclosure is made, the type of information disclosed, and how often that information is updated.

Revenue office officials from the four states and the District of Columbia believe that their programs have improved or will improve compliance. However, officials are unable to isolate the gain in revenue collections directly attributable to their programs. As they explained, public disclosure is one of many tools that revenue offices use to gain compliance. Some revenue office officials also noted that factors outside the control of their offices—notably, the economy—affect compliance.

Background

Like the Internal Revenue Service, state and local revenue offices have authority to collect taxes from taxpayers that they believe have not paid the taxes they owe, including taxpayers that are delinquent or have not filed their returns. The collection process followed by most revenue offices is phased and generally begins with an assessment of taxes owed. Thereafter, the office has a number of collection tools it can use to obtain compliance, including mailing notices to inform the taxpayer of the taxes that have been assessed and the procedures available for resolving the delinquency.

In the case of taxpayers that do not respond, the revenue office also has other tools at its disposal. These include telephone calls and in-person visits, the placement of a lien on the taxpayer's property, levying the taxpayer's bank accounts, and ultimately the seizure and sale of the taxpayer's property. To resolve delinquencies not resolved using traditional collection tools, revenue offices have experimented with other

less traditional tools, including public disclosure programs as defined in this report.

Scope and Methodology

To accomplish our three objectives, we used a combination of surveys and interviews with state and local revenue office officials. Initially, to determine which state and local governments are operating public disclosure programs, we developed a short survey and sent it to all 50 states. We asked officials from revenue offices in each state whether they had such a program or knew of any local governments operating a disclosure program in their state. Because these officials identified no local governments with public disclosure programs, we used the 1998 State Tax Guide to identify cities and counties that had a local personal or corporate income tax, and thus potentially might be operating a program.

As agreed with the Committee, we used this information to select no more than five cities and five counties per state, using population size—starting with the largest—as our criterion. The group included 24 cities and 8 counties in 12 states and the District of Columbia.[2]

Appendix II provides a list of the cities and counties we surveyed. We then sent surveys, which were virtually identical to the ones sent to states, to these governments. The response rate for surveys of states, cities, and counties was 100 percent.

To determine the differences among the programs and the views of state and local officials on whether the programs are improving compliance, we conducted structured interviews by phone or in-person with officials from revenue offices in the jurisdictions that reported having public disclosure programs. To provide the most complete information possible, we also interviewed officials from jurisdictions reporting that they had discontinued or were planning to adopt a program.

We did not verify the survey responses provided by the state and local revenue offices. The results of our survey of cities and counties may not be representative because we used a judgmental sample, focusing on the largest cities and counties. Also, as requested by the committee, we are not making any recommendations in this report.

[2]We eliminated cities and counties, such as Baltimore, Maryland, that had a piggyback tax, i.e., income tax collected by the state and distributed to local governments. We also eliminated cities and counties that have authority to levy an income tax but did not, including cities and counties in Arkansas, Georgia, and Virginia.

We requested and received comments on the descriptions of each state and the District of Columbia's disclosure program from cognizant revenue office officials, and we incorporated their comments where appropriate.

We did our review from March 1999 to July 1999 in accordance with generally accepted government auditing standards.

Public Disclosure Programs Are in Four States and the District of Columbia

As of June 1999, only four states—Connecticut, Illinois, Montana, and New Jersey—and the District of Columbia had programs operating to publicly disclose the names and other information about individuals or businesses that were delinquent in paying income taxes. All of the programs are relatively new. Connecticut's program, the first to be implemented, began disclosing on the Internet in January 1997. The District of Columbia, Montana, New Jersey, and Illinois programs began disclosing on the Internet in October 1997,April 1998, May 1999, and September 1999, respectively.[3] None of the other state and local governments we surveyed had a public disclosure program.

None of the programs publicly disclose the names of taxpayers that fail to file their required tax returns. Instead, revenue office employees assess nonfilers the taxes they owe and process their accounts in the same manner as delinquent taxpayers should the nonfilers be determined to owe taxes. Generally, revenue office employees in the four states and the District of Columbia compare federal and state income tax returns to identify individuals that did not file their state income tax return. Identified individuals are then to be assessed an estimated amount and notified through traditional billing and collections procedures. Should the individual then fail to pay or resolve the assessment, the account is to be processed in the same manner as a delinquent taxpayer's account, which ultimately may include public disclosure.

In response to our survey, officials from Wisconsin and Minnesota reported that public disclosure programs were either being developed or considered. All of the states and the District of Columbia that have or are planning programs told us that they used Connecticut's program as a

[3]The dates shown are when the governments began or planned to begin using the Internet or press releases to proactively disclose the names of delinquent taxpayers. Connecticut had begun preparing a list of delinquent taxpayers beginning in September 1996, which was open for public inspection at the revenue office.

model. Also, Connecticut's tax commissioner told us that 24 other states and five cities had requested information about the state's program.[4]

Officials from North Dakota reported that in September 1995, the state's Department of Revenue published a list of approximately 4,000 taxpayers with unsatisfied liens dating back to 1982. However, they said that this effort was discontinued in January 1997 because of publicity about its many errors, such as including taxpayers that had resolved their liens. Also, North Dakota's newly elected commissioner told us he believed that the disclosure unnecessarily embarrassed taxpayers.

Programs' Legal Authority and Operations Differ

Three of the programs we identified are operating under explicit statutory authority, and two are not. Connecticut, Illinois and the District of Columbia have statutes that explicitly authorize public disclosure of delinquent taxpayers. Connecticut's statute requires tax officials to maintain, and make available for public inspection, a list of delinquent taxpayers. Illinois' statute explicitly states that tax officials may disclose taxpayers that are delinquent in the payment of tax liabilities. Similarly, the District of Columbia's statute grants authority for tax officials to publicly disclose delinquent taxpayers.

New Jersey and Montana do not operate their programs under specific statutory authority. Like the other three jurisdictions, New Jersey and Montana have statutes designed to safeguard the confidentiality of taxpayer information.

For example, New Jersey's confidentiality statute explicitly provides that taxpayer records and files shall be confidential and may not be disclosed. However, according to state officials, another provision allows tax officials to file a certificate of debt in superior court against a taxpayer, which is entered into the judgment docket, thereby making the delinquency a matter of public record. Since the certificate of debt is a public record, revenue office officials said that they have the necessary authority to publicly disclose the information included therein with regard to delinquent taxpayers.

Montana's confidentiality statutes also prohibit the disclosure of taxpayer information. Montana officials told us that another provision provides that after a warrant is filed with the clerk of the district court and included in

[4]These states were Arizona, California, Colorado, Florida, Georgia, Idaho, Indiana, Louisiana, Michigan, Nebraska, Nevada, New Mexico, North Carolina, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Utah, Virginia, Washington, West Virginia, and Wyoming. The cities were Birmingham, AL; Boston, MA; Juneau, AK; Milwaukee, WI; and New York, NY.

the judgment docket, the information becomes a matter of public record and subject to public disclosure on the Internet, newspapers, or any other medium the state may choose.

The programs also operate differently. As shown in table 1, they differ with respect to the procedures leading up to disclosure, the media through which the disclosure is made, the type of information disclosed, and the frequency with which information is updated.

As table I also shows, four of the programs include provisions to send letters to delinquent taxpayers, warning them of impending disclosure if they do not resolve their delinquency.[5] Additionally, the length of time to respond to the warning varies from 10 business days to 60 calendar days; all 5 governments use the Internet, while 3 also use press releases to disclose delinquent taxpayers; the number of taxpayers listed varies from 50 to all that qualify, and the frequency of updates varies from monthly to periodically, as new information becomes available.

Table 1: Differences in Program Operations

	Programs				
Program procedure	**Connecticut**	**District of Columbia**	**Illinois**	**Montana**	**New Jersey**
Warning letter of impending disclosure sent	Yes	Yes	Yes	No	Yes
Days for taxpayers to respond to warning	10 (business)	30 (calendar)	60 (calendar)	Not applicable	14 (business)
Medium of disclosure	Internet, press release and newspaper	Internet	Internet and press release	Internet and press release	Internet
Number of taxpayers disclosed on delinquency list	100	All that qualify	All that qualify	50	200
Disclosure of mailing address	Yes	No	Yes	No	No
Disclosure of court docket number	No	No	No	No	Yes
Disclosure of type of tax	Yes	No	Yes	Yes	No
Disclosure of year(s) of tax liability	No	No	Yes	No	Yes
Frequency of update of delinquency list	Monthly	Periodically	Periodically	Monthly	Monthly

Source: GAO surveys and structured interviews of state and local revenue office officials.

[5] The programs provide that taxpayers can resolve their delinquencies by paying in full or negotiating payment agreements. Taxpayers may also provide evidence that the liability is an error or demonstrate that bankruptcy procedures are in process.

Revenue Office Officials Believe Their Public Disclosure Programs Improve Compliance

Revenue office officials believe that their public disclosure programs improve compliance. They base their views mostly on anecdotal evidence from statistics on accounts receivable and collections. Montana reported that as of June 1999, numerous accounts receivable had been resolved since the program's inception in April 1998. Specifically, Montana said that 18 payment plans had been set up, 23 accounts had been paid in full, and 23 taxpayers had filed their returns. During this time, approximately 150 taxpayers had been disclosed on the Internet. The District of Columbia reported that as of June 1999, it had collected $669,912 from seven taxpayers after they had received warning letters that their names would be disclosed on the Internet. As of June 1999, approximately 150 warning letters had been sent to delinquent taxpayers. Additionally, revenue office officials from Connecticut and the District of Columbia added that they believe public disclosure had a salutary effect on voluntary compliance.

However, the state and District revenue office officials recognized that such statistics were not good indicators of program impact because they do not isolate the effect of public disclosure on accounts receivable and collections. As they explained, public disclosure is one of many tools that revenue offices use to gain compliance. For example, Montana officials noted that at about the same time the first list of delinquent taxpayers was published on the Internet, the state implemented an automatic phone system (the predictive dialer), which enabled collectors to contact a significantly greater number of taxpayers than they were previously able to contact. The collectors were able to contact more taxpayers because the automated phone system makes multiple calls, screening out nonreponses, busy signals, and answering machines, and then directs calls that are answered by the taxpayer to available collectors.

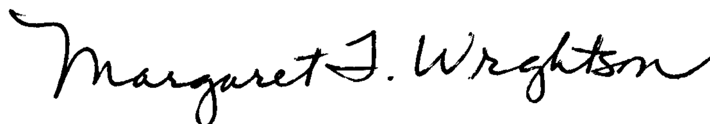
While District of Columbia officials were able to identify payments from taxpayers that had been warned that their names would be published on the Internet if they did not resolve their tax liabilities, they recognized that other factors could have influenced the taxpayers' decision to pay.

None of the revenue offices had undertaken a thorough evaluation of their program. Such an evaluation would be expensive and, as our prior work has shown, isolating the impact of such programs would be difficult.[6] Moreover, revenue office officials from New Jersey and Connecticut said that factors outside of tax administration—notably, the economy—also affect compliance.

[6] Budget Process: Issues Concerning the 1990 Reconciliation Act (GAO/AIMD-95-3, Oct. 1994).

We are sending copies of this report to Representative Charles B. Rangel, Ranking Minority Member, Joint Committee on Taxation, and Senator Daniel P. Moynihan, Ranking Minority Member, Senate Committee on Finance. We are also sending copies to the Honorable Lawrence H. Summers, Secretary of the Treasury; the Honorable Charles O. Rossotti, Commissioner of Internal Revenue; and the Honorable Jacob Lew, Director, Office of Management and Budget; and other interested parties. We will also send copies to those who request them.

If you or your staff have any questions concerning this report, please contact me at (202) 512-9110 or A. Carl Harris, Assistant Director, at (404) 679-1900. Other major contributors to this report are acknowledged in appendix III.



Margaret T. Wrightson
Associate Director, Tax Policy and
Administration Issues

Contents

Letter 1

Appendix I Profiles of State and Local Governments With Public Disclosure Programs 12
Connecticut 12
District of Columbia 13
Illinois 15
Montana 16
New Jersey 18

Appendix II Cities and Counties We Surveyed 20

Appendix III GAO Contacts and Staff Acknowledgments 21

Tables
Table 1: Differences in Program Operations 6

Profiles of State and Local Governments With Public Disclosure Programs

In this appendix, we describe each of the five public disclosure programs. All the information provided in this appendix was reported by state and local revenue office officials. Other than clarifying this information with the appropriate officials, we did not attempt to validate its accuracy.

Connecticut

In January 1997, the Connecticut Department of Revenue Services began publicly disclosing on the Internet (http://www.state.ct.us/drs/delinq/mart100.html), newspapers, and press releases, the names of Connecticut's top 100 delinquent taxpayers, including businesses and individuals.

Legal Authority

In 1986, section 12-7a of the Connecticut Tax Code was amended to require the tax commissioner to prepare a list of delinquent taxpayers and make it available for public inspection.

Impetus

Revenue office officials told us that the public disclosure program was initiated as a means of applying "social" pressure to encourage people to pay the taxes they owe.

Operating Procedures

Certified letters, return receipt requested, are sent each month to the top 200 delinquent taxpayers (those with the largest accounts that were delinquent for more than 90 days), warning them of impending disclosure on the Internet if they do not resolve their delinquencies within 10 business days. Meanwhile, officials screen the list for taxpayers whose names should not be published.[1] When 10 days have elapsed, officials have 5 days to finalize and narrow the list to the top 100. The information disclosed includes the taxpayer's name, address, amount owed (including penalties and interest), and type of tax owed. It is updated monthly.

Disclosure is discontinued for any of the following reasons:

- taxpayer pays, negotiates a payment agreement, or otherwise resolves the account;
- taxpayer's account has appeared on the Web site for 3 or more consecutive months, and the revenue office has verified that:
  - certified letters have been undeliverable for 3 consecutive months, but not "refused" by the addressee or
  - the account is not collectible for statutory or regulation-based reasons; or

[1]Officials screen taxpayers' names for those who may have voluntarily paid or are in the process of resolving their delinquency, yet such transactions are not yet in the computer system.

- taxpayer's account has appeared on the Web site for 4-6 consecutive months, and revenue officials have verified that bankruptcy proceedings have occurred.

Nonfilers can be included on the list after an assessment is made and the account becomes delinquent. Their accounts are then processed in the same manner as other delinquent accounts and are not identified as nonfilers.

Problems/Complaints

Revenue office officials reported that they have not had any inaccurate disclosures, complaints from taxpayers, or opposition from taxpayers or interest groups.

Effect on Compliance

Revenue office officials told us that since the program's inception, the revenue office had collected $52 million in overdue tax revenues and entered payment agreements totaling $12 million. Revenue office officials said that they could not determine the extent to which public disclosure affected collections because other collection tools could have influenced taxpayers' decisions to pay. Revenue office officials also stated that factors outside the control of their offices, such as the economy, also affect compliance.

Other Tools for Improving Compliance

Revenue office officials reported that they use several tools to gain compliance, such as letters, liens, levies, and seizures. Additionally, Connecticut has used other tools, such as a Tax Amnesty Program, a Voluntary Disclosure Program, and the Nexus Project.[2]

District of Columbia

In October 1997, the District of Columbia's Office of Tax and Revenue began publicly disclosing on the Internet (http://www.dccfo.com/TAXPAYER2.htm) the names of selected uncooperative delinquent taxpayers, including businesses and individuals, who owe more than $10,000.[3]

Legal Authority

In 1947, section 47-1805.4 of the District of Columbia Code was enacted, granting the District authority to disclose delinquent taxpayers.

[2]The Tax Amnesty Program allowed nonfilers to come forth and pay their taxes without penalty. The Voluntary Disclosure Project offers noncompliant taxpayers favorable terms to pay their back taxes. The Nexus Project is an effort to identify and collect the taxes owed by nonresident taxpayers.

[3]In May 1999, 94 taxpayers were listed. This represented all delinquent taxpayers that had been processed to disclosure. The list included two taxpayers who owed less than $10,000, $9,743.48 and $9,749.69, respectively.

Impetus

Revenue office officials told us that the public disclosure program was initiated as another tool to encourage taxpayers to pay the taxes they owe. They also told us that they were impressed with Connecticut's public disclosure program.

Operating Procedures

When an account is delinquent for at least 90 days, a certified letter is sent, warning the taxpayer that failure to work with the Office of Tax and Revenue within 30 days to resolve the delinquency could result in public disclosure. After the disclosure, a copy of the Internet screen is mailed to the delinquent taxpayer. The information disclosed includes the taxpayer's name (including the responsible officer(s) for businesses) and the amount owed. The delinquency list is updated periodically as new information becomes available.

Disclosure is not made (or discontinued if already made) for any of the following reasons:

- taxpayer makes payment arrangements,
- revenue office determines that a mistake was made in calculating the tax,
- taxpayer enters bankruptcy proceedings, or
- taxpayer provides evidence that he is not the responsible officer of a business.

Nonfilers can be included on the list after an assessment is made and their accounts become delinquent. Their accounts are then processed in the same manner as other delinquent accounts and are not identified as nonfilers.

Additionally, the Office of Tax and Revenue publishes a separate list on the Internet of taxpayers it is unable to locate after exhaustive investigation. The public is invited to advise the Office of Tax and Revenue of the whereabouts of these taxpayers.

Effect on Compliance

Revenue office officials told us that they have not conducted an overall evaluation of their disclosure program because of staff limitations. They told us that in fiscal year 1999,[4] the revenue office collected $669,912 after sending warning letters and $70,587 after disclosure on the Internet. However, revenue office officials recognized that other factors could have influenced the taxpayers' decisions to pay.

[4]As of June 1999.

Problems/Complaints

Revenue office officials reported that they were aware of only one instance where inaccurate information was disclosed on their Web site. In this case, an individual was inappropriately identified as the responsible officer of a business. After providing information proving that he was not the responsible officer, the revenue office corrected the mistake. Officials said that they had not received any complaints about the public disclosure program or any opposition from interest groups.

Other Tools for Improving Compliance

The disclosure program is one of many tools the District uses to improve compliance and collect unpaid taxes. Other tools include telephone contacts, letters, liens, and seizures.

Illinois

In September 1999, the Illinois Department of Revenue plans to disclose on the Internet (http://www.revenue.state.il.us/) and through press releases, the names of all delinquent taxpayers, including businesses and individuals, who have final liabilities greater than $10,000 for longer than a period of 6 months.

Legal Authority

Section 39b54 of the Illinois Civil Administration Code, enacted in August 1998, with an effective date of January 1999, provides Illinois' authority for its public disclosure program.

Impetus

Revenue office officials told us that the public disclosure program was initiated to decrease the amount of accounts receivable. The revenue office was also influenced by Connecticut's public disclosure program.

Operating Procedures

Certified letters are sent to those taxpayers with delinquent accounts of at least 6 months, warning them that their names will be published on the Internet if they do not make payment arrangements or resolve their accounts. Taxpayers have 60 days to respond. The information to be disclosed includes the taxpayer's name; amount owed; mailing address; type of tax owed; tax period; and for corporations, the president's name. While the legislation stipulates an annual list, the program administrator said that names will be removed periodically, as accounts are paid, and that new names will be placed on the list only once a year.

Disclosure may be discontinued for any of the following reasons:

- account is paid in full,
- payment arrangements are made,
- old payment agreements are brought into compliance, or
- legal proceedings (i.e., administrative hearings, civil court, or bankruptcy) are under way.

Nonfilers can be included on the list after an assessment is made and their accounts become delinquent. Their accounts are then processed in the same manner as other delinquent accounts and are not identified as nonfilers.

Effect on Compliance

Revenue office officials told us that it is too early to determine the full impact of the program. However, they reported that after sending warning letters to 5,200 delinquent taxpayers since March 1999, $2.9 million had been collected, $918,000 in payment agreements had been made, and $453,000 in accounts receivable were resolved (i.e., the taxpayer demonstrated that amount was not owed).[5]

Problems/Complaints

Revenue office officials reported that they have not had any opposition from interest groups. They have received some letters of complaint from businesses with the same or similar names as delinquent taxpayers.

Other Tools for Improving Compliance

Revenue office officials reported that they use other tools to gain compliance, such as letters, liens, levies, and seizures. Other tools include denying the issuance or renewal of licenses and utilizing private collection agencies.

Montana

In April 1998, the Montana Department of Revenue began publicly disclosing on the Internet (http://www.state.mt.us/revenue/del._tax_accts.html) and through press releases, the names of Montana's top 50 delinquent taxpayer accounts, including businesses and individuals.

Legal Authority

Montana does not have a statute that specifically addresses public disclosure. However, according to Montana officials, section 15-1-704 of Montana's Tax Code allows the department of revenue to file a warrant with the district court to be included in the judgment docket, which makes the delinquency a matter of public record.

Impetus

The public disclosure program was initiated in an effort to improve compliance. Also, revenue office officials told us that they were impressed by Connecticut's public disclosure program.

Operating Procedures

If taxpayers do not pay their taxes within 30 days of the due date, the Department of Revenue notifies the delinquent taxpayer, either by telephone or mail, that unless payment is received within 30 days of the date of the notice, a warrant of distraint may be issued and filed in the district court. The filing of warrants with the clerk of the district court to

[5]As of May 21, 1999.

be included in its judgment docket is the basis of Montana's disclosure program; as such, legal action renders a delinquency a matter of public record. The information disclosed includes the taxpayer's name, city and state of residence, tax type, and amount owed. The information is to be updated monthly.[6]

Public disclosure is discontinued for any of the following reasons:

- payment plan is established,
- return is filed,
- revenue office accepts an offer-in-compromise,
- taxpayer files for bankruptcy, or
- taxpayer is on the list for 6 months.

Nonfilers can be included on the list after an assessment is made and their accounts become delinquent. Their accounts are then processed in the same manner as other delinquent accounts and are not identified as nonfilers.

Effect on Compliance

Since the program's inception, revenue office officials reported that as of June 1999,

- 23 taxpayers paid in full,
- 18 negotiated payment plans,
- 23 filed outstanding returns, and
- 2 filed amended returns.

The revenue office officials told us that they had collected $367,839 as a result of these actions. They recognized that other factors may have contributed to the taxpayers' decisions to pay or resolve their delinquencies. For example, Montana officials noted that at about the same time the first list of delinquent taxpayers was published on the Internet, the state implemented an automatic phone system (the predictive dialer), which enabled collectors to contact a significantly greater number of taxpayers.

Problems/Complaints

Revenue office officials stated that in one instance, inaccurate information was disclosed on the Internet. In that case, the amount of taxes owed was overstated because the tax rate was applied incorrectly. The state has received few complaints from taxpayers and no opposition from interest

[6]The March 1999 listing had not been updated as of July 15, 1999. According to the program administrator, failure to update the Internet listing was an oversight.

groups. One local attorney tried to organize citizens in opposition to the Internet program, but he was unable to gain much support, according to revenue office officials.

Other Tools for Improving Compliance

Revenue office officials reported that they use other tools to gain compliance, including telephone contacts, letters, warrants of distraint (liens), levies, and offers-in-compromise.

New Jersey

In May 1999, the New Jersey Division of Taxation began publicly disclosing on the Internet (http://www.state.nj.us/treasury/taxation/jdgdiscl.htm), the names of New Jersey's 100 businesses and 100 individuals that owe the most.

Legal Authority

New Jersey does not have a provision that expressly authorizes a public disclosure program. According to New Jersey officials, the filing of a certificate of debt under section 54:49-12 forms the basis of New Jersey's public disclosure program. When the clerk files the certificate in the judgment docket, the information contained therein becomes public record.

Impetus

Revenue office officials told us that the public disclosure program was initiated in an effort to collect outstanding tax liabilities. Also, they were influenced by the reported success of Connecticut's public disclosure program.

Operating Procedures

The public disclosure program is not initiated until after standard collection tools are used, including sending the taxpayers a statement of account, bill, notice of assessment, and a letter warning that failure to resolve their delinquency in 30 or 90 days[7] will result in the filing of a certificate of debt. After the certificate of debt is filed, taxpayers may be subject to actions, such as levy, seizure, and/or referral to the Attorney General. Finally, delinquent taxpayers are warned, through certified mail, that failure to resolve their delinquency within 14 days may result in the disclosure of their certificate of debt information on the Internet. The 100 individuals and 100 businesses that owe the most are disclosed. The information disclosed includes the taxpayer's name; trade name (if a business); city; date and amount of the certificate of debt; and the court docket number. The information is updated monthly.

[7]Businesses are given 30 days, while individuals are given 90.

Disclosure is discontinued if the taxpayer

- shows proof of bankruptcy proceedings,
- enters into a deferred payment arrangement or closing agreement, or
- pays all tax liabilities.

Also, taxpayers that have not paid outstanding liabilities or entered into a deferred payment arrangement or closing agreement may be removed to make room for the posting of new names. Such taxpayers may be re-posted at any time until the delinquencies are resolved.

Nonfilers can be included on the list after an estimated assessment is made and a certificate of debt is filed. Their accounts are then processed in the same manner as other delinquent accounts and are not identified as nonfilers.

Effect on Compliance

A revenue office official told us $695,991 had been collected as of July 27, 1999. However, he also stated that it is too soon to quantify the full effects of the program.

Problems/Complaints

Officials reported that they had received no complaints from taxpayers or opposition from interest groups.

Other Tools for Improving Compliance

Revenue office officials told us that the disclosure program is only one of many tools the state uses to improve compliance and collect unpaid taxes. Other tools include project letters, field investigations, certificates of debt, levies, seizures, and office and field audit programs. The revenue office has also used private collection agencies and a special project group that focuses upon noncompliants in the cash economy, as less traditional tools.

Cities and Counties We Surveyed

State	City	County
Alabama	Birmingham	
California	Los Angeles	
	San Francisco	
	District of Columbia	
Delaware	Wilmington	
Indiana		Allen
		Elkhart
		Marion
		St. Joseph
		Vanderburgh
Kentucky	Lexington	
	Louisville	
		Fayettte
		Jefferson
Michigan	Detroit	
	Flint	
	Grand Rapids	
	Pontiac	
	Warren	
Missouri	Kansas City	
	St. Louis	
New Jersey	Newark	
New York	New York	
	Yonkers	
Ohio	Akron	
	Cincinnati	
	Cleveland	
	Columbus	
	Toledo	
Oregon	Portland	
		Multnomah
Pennsylvania	Philadelphia	
	Pittsburgh	

GAO Contacts and Staff Acknowledgments

GAO Contacts

Margaret T. Wrightson (202) 512-9110
A. Carl Harris (404) 679-1900

Acknowledgments

In addition to those named above, Catherine Myrick, Lisa Moore, Stuart Kaufman, and Shirley Jones made key contributions to this report.

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Order by mail:

U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (202) 512-6061, or TDD (202) 512-2537.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touch-tone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

http://www.gao.gov

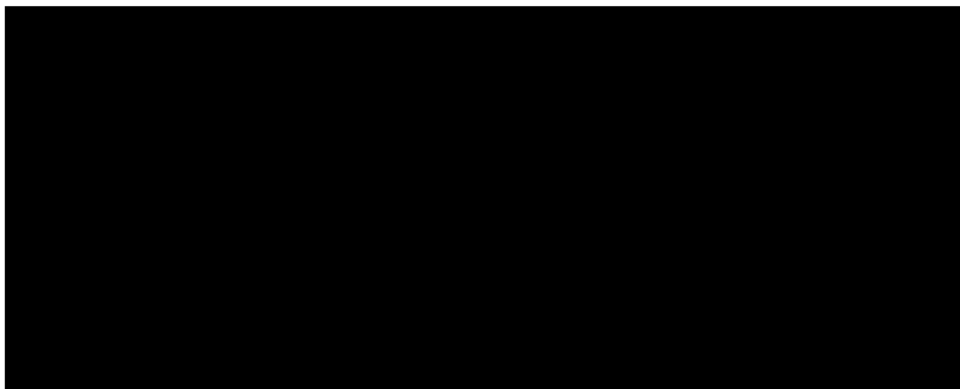
PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested



(268876)