

SEIU LOCAL 1000 BOARD OF EQUALIZATION JOINT TASK FORCE

**SEIU Local 1000 findings & recommendations
on methods to enhance tax collections**



SUMMARY

Board of Equalization employees agree that the business tax collection process is in need of vast improvement. This opinion is shared by the Legislative Analyst's Office which, in 2007, recommended targeting independent contractors and boosting resources to identify and go after corporate non-filers as partial solutions in bridging the \$2 billion annual gap between sales and use taxes owed and collected.

Clearly the work of the BOE is important to the state and the Board should be applauded for the work they have done to remedy the tax gap. However, after our meetings with nearly 200 BOE employees in 14 separate work locations, it is clear that outsourcing is not an effective means to further close the sales and use tax gap. The main problems identified through our research and that impede efficient collections at BOE include:

- Collectors being pulled away from collection duties;
- Collection workload is too high to work effectively;
- Too many delinquent corporations;
- Lack of access to adequate collection tools and training;
- Retention of experienced employees; and
- Policies that impede compliance staff from effectively doing their job.

We are asking for the Board Members' support in solving these problems and to direct staff to work with Local 1000 and BOE employees to develop solutions. Further research is needed to determine which best practices at private collection firms, other state agencies and other states would work well at BOE. Local 1000 would like to continue to work in a joint task force with BOE to find solutions to the problems identified in this report.

INTRODUCTION

In April 2008, the Board of Equalization and the Service Employees International Union Local 1000 agreed to form a joint task force to find ways to enhance collections. As a part of the joint plan, Local 1000 agreed to hold meetings at district offices to collect ideas from compliance representatives and report back to the Board. This report is a culmination of our findings. It demonstrates that collectors have an excellent understanding of their daily work routine and provides recommendations for how the Board can generate more revenue.

BARRIERS TO TAX COLLECTION FINDINGS

BOE workers have identified different types of procedural and policy barriers that impede their ability to collect on delinquent and revoked accounts.

1. **Lack of a uniform clearing policy.**
There is no clear policy regarding the number of accounts or the type of accounts that collectors should focus on clearing. Procedures for clearing accounts vary within and across district offices.
2. **Lack of a consistent and clear policy on accurate coding of industries.**
Applications for sales permits are sometimes coded incorrectly during the registration process, which results in many accounts going into revocation status that should not. For example, many swap-meters, caterers, and other home-based businesses are coded as full-time businesses but should be coded as part-time businesses. Time is lost pursuing inaccurately coded accounts from which no money can be collected.
3. **Inability of collectors to go out to the field.**
Due to lack of time, transportation costs, and parking accommodations workers are unable to go out to the field to collect on accounts. As a result some supervisors have asked workers to drive by businesses during non-working hours (e.g. before and after work).
4. **Inaccurate workload measures.**
Although BOE workers are able to successfully multi-task, ACMS does not represent an accurate measure of employee workload. BOE collectors receive work from several different sources which takes a considerable amount of time to sort out; however, managers only use ACMS to monitor workload. Workers are then verbally admonished for not working the accounts on their work list.

5. **Inability of collectors to make direct demands on taxpayers.**
Collectors have been instructed to be polite to the public at all times. Employees would like to be more assertive when a taxpayer owes money.
6. **The taxpayer advocate often overrides the findings of the compliance representatives.**
Employees have complained that taxpayers frequently contact taxpayer advocates as a means by which to avoid the demands made on them.
7. **Lack of overtime.**
Employees would like overtime to complete their workload.
8. **Lack of flexible hours.**
Businesses' operating hours often do not coincide with Board working hours. Therefore, collectors have great difficulty contacting certain businesses because they have not been granted flexible hours to accommodate phone calls or visits to the business address.
9. **Corporate executives are able to evade responsibility for corporate taxes.**
Corporate officers are able to evade personal responsibility for corporate sales and use taxes. The current law treats the corporation as a person rather than the corporate officers who apply for the permit. A corporate officer of a delinquent corporation is able to apply for a new permit for a new corporation resulting in multiple liabilities which are currently uncollectible.
10. **High lien threshold impedes aggressive collections.**
A lien can only be issued for accounts that are \$2,000 or more. Lowering this amount would improve and strengthen BOE workers' ability to collect.
11. **The amount of time needed before a lien can be placed is too long.**
An account has to be in billing status for 180 days before a lien can be placed. Reducing the time to 30 days would empower collectors to actively pursue delinquent and revoked accounts. More importantly, it would encourage delinquent taxpayers to pay their taxes.
12. **Tools for publicizing the names of companies with delinquent taxpayers are underutilized.**
The list of delinquent accounts posted on the website could be more comprehensive, including those businesses owing more than \$100,000; this would help hold such companies accountable and would also help deter future delinquencies.

UNCOLLECTED TAX WRITE-OFF FINDINGS

It is assumed that one of the reasons for unpaid tax revenue is the number of accounts that are written-off due to the inability to collect. At the worksites we visited, it was discovered that this is an incorrect assumption, because many offices write-off few to no accounts at all. Conversely, rather than writing-off or closing an account, many BOE offices keep accounts open if there is earning potential. A lien is placed on the account (if \$2,000 or higher) and as soon as the delinquent taxpayer starts earning income, the state is able to collect the taxes it is owed. This is a common practice in several BOE offices and seems to be very effective in collecting from delinquent taxpayers.

WORKLOAD FINDINGS

We found that a considerable amount of time is spent on “non-collection” activities. The majority of BTRs and Tax Tech IIIs are required to assist the public at the public counter or window. Employees required to do this work are often pulled away from actively collecting taxes on the phone or working their ACMS delinquency list. One BTR was on the phone to set-up a “keeper” and was tapped on the shoulder mid-sentence and told to go to the window. There is an understanding at all of the offices visited that no customer is to wait more than 15 minutes. Once at the window, BTRs have told us that opening a permit can take them anywhere from 90 minutes to 3 hours. Other collectors assist individuals with tax returns- some have been instructed by management to fill out the return for the customer.

Many other assignments increase a collector’s workload that does not involve collecting taxes. For example, in San Diego staff spends 36-50 hours a month on the tax advisor line. Specialists also spend a considerable amount of time training new staff and attending fairs and workshops. Others open returned mail, attend to account maintenance, and perform other clerical work. All of these activities represent significant distractions from collections. As one BOE worker noted, their job function is the “‘garbage disposal’ for other work in the department. We spend half of our time on non-collection activities.” Another

stated that all BOE employees want is, “two hours of uninterrupted time a week to do our work.”

Once compliance staff gets to their collection activities, they have too many cases to work effectively and efficiently. Tax Tech IIIs have upwards of 600 accounts and BTRs have as many as 200-300 accounts. Specialists have over 60 accounts. All collectors reported that they are required to “touch” between 20-32 accounts per day; this is in addition to all of the non-collection activities they perform. Most feel that this is an unrealistic expectation if they are going to successfully clear accounts. Additionally, supervisors use this expectation to rate their employees’ job performance. Supervisors do not calculate as workload all the non-collection tasks employees perform.

ACCOUNT CLEARING PROCESS FINDINGS

The goal of BOE compliance representatives is to clear accounts- paid in full with no delinquencies.

BOE collections workers receive most of their accounts through the Automated Compliance Management System (ACMS). Other accounts are received over the phone and from supervisors. This can create a problem when it comes to measurement of collectors’ productivity, as supervisors often only measure workload and progress based on what is reported in ACMS.

The ACMS prioritization of accounts creates problems for workers. ACMS will generate a list each time the employee logs on, ranking the accounts from “A” to “E”. Employees cannot skip down the list and have to work each account in order. Accounts that are worked on, but not cleared, will reappear towards the top of the list each time an employee logs back on; then they have to rework the same account before they can move down the list. Some employees prefer to work from a static list, so they will print out a hard copy

from ACMS and work off of it for the week. This gives the employees a greater sense of progress towards reducing the number of accounts in ACMS.

Problems also arise when compliance representatives go on leave, or leave the department altogether. Case numbers (“terminal digits”) of a former or on-leave employee constantly get redistributed to other workers, thus increasing their workload and adding a level of disorder to the manageability of their accounts. Moreover, compliance representatives who receive accounts formerly worked on by other employees are required to start over from the beginning on each account (by calling, introducing themselves, etc.), instead of being able to pick up where the other collector left off. As one worker stated, “If the previous collector is up-to-date, and the person is not paying, then why would the new collector have to start from scratch? They should just be able to pick up where the previous collector left off.”

A number of factors impede compliance representatives’ ability to clear accounts. To begin with, availability of and access to resources could be improved.

BOE COLLECTION TOOLS FINDINGS

In tracking down taxpayers, there are a number of currently available resources that could help out collectors. These include: caller ID on the phone, phone disk, SkipEze, Zillow, Ultimates and various paid internet search engines. Some search engines—such as Zillow—are free but have subscriber-only access to parts that would be useful for collections.

While ACCURINT, LexisNexis and EATS are available to some degree at all district offices, not all workers have direct access to them. In a number of places, workers (often Tax Technicians) have to submit search requests to co-workers who do have access. The worker making a search request must wait

until the worker with access has time to run their search; conversely the worker with access is pulled away from their own collection activities.

Other problems with resources include the following:

- Credit reports are only available in the district offices through the person assigned to EATS;
- Tax Technician IIIs noted that they do not have access to FTB, EDD and related data so they have to wait for BTRs to run their searches;
- The quality of LexisNexis training varies greatly: those who have been trained by people who are actually state compliance representatives are able to take advantage of the archives, whereas those trained by software specialists have not been able to use LexisNexis to the extent possible for collections activities.
- Training could be more updated, comprehensive and industry-specific.

MANAGEMENT/BEST PRACTICES FINDINGS

Management and the Board play a central role in the implementation of practices that will improve BOE efficiency. BOE employees discussed some of the ways that they thought their supervisors and the Board could further support their efforts.

One change suggested would be for supervisors to track cases from start to finish. They noted that currently supervisors check collections work only once an employee has completed work on a case. They believed that if supervisors tracked the notes entered into ACMS as work on a case unfolds, supervisors could make timely suggestions or identify errors during an early stage of the process.

Employees noted that it would be helpful to implement a uniform set of standards and expected practices for all of the district offices. They said that it is sometimes confusing that work may vary under different supervisors.

BOE employees also observed that the Board needed to be provided better information when dealing with cases. Employees noted that if a Board

Member has not had access to earlier work on a case, sometimes that Member would make a decision counter to the one recommended by a BOE employee. Employees noted that this is particularly problematic in the case of payment plans. Often a Board Member will provide a customer with a payment plan. Yet if the customer fails to follow through with the plan, the case bounces back to the compliance representative. Greater communication between state employees and the Board on cases brought to Board Members could avoid these types of contradictions.

Finally, employees felt that the District Offices needed to devote a greater amount of attention and resources to employee retention in the BOE.

OUTSOURCING FINDINGS

BOE employees raised a number of concerns about the possible outsourcing of collections work. First they noted that private agencies would not be able to process liens and/or levies. Nor would they have access to the same personal information currently made available to BOE employees. This means that state workers would still have to do that work. Moreover, any complaints that customers have would still be directed to the State and to the Board of Equalization in particular.

A number of members were familiar with the unsuccessful work of private collections agencies at the federal level and in other states. They wanted to know how the Board would ensure accountability of the firm employed. In particular they were concerned about how the state would be able to ensure that the demand for private firm profits did not undermine the role of the BOE. They worried that a private firm would be overly zealous in writing off accounts that could not be immediately collected. They also observed that outsourcing would be more expensive than improving practices at BOE. Finally, they shared their frustration that the BOE would spend more money on collections

by a private agency rather than devote resources to the retention of compliance staff and hiring greater numbers of support staff.

IDEAS FOR CLOSING THE TAX GAP

The BOE compliance staff made it clear that there are numerous ways that tax collections could be improved. Additionally, they also identified a number of means by which BOE could contribute to state efforts to close the tax gap.

Their suggestions include:

- Charge for sellers permit- note that fees are already in place in many counties and cities;
- Make it easier to go after businesses that move out of state- in particular employees suggested that the length of time required to reside in another state should be increased to at least one year;
- Increase the amount of the reinstatement fee which is currently only \$50;
- Encourage cities and counties to inform people filing for business licenses that they also need to apply for a sales permit with the state;

- Facilitate ability for—
 - auditors to share information with collectors;
 - collectors to gain information from other departments- employees noted that this has been successful at the Alcohol and Beverage Control;
- Charge the full 16% in penalty fees-the prepayment penalty of 6% added to the 10% penalty—for filing a late return;
- Implement IRS offsets.

OTHER RECOMMENDATIONS FROM BOE EMPLOYEES

The one hundred eighty one employees consulted during our visits provided the following suggestions:

- Examine fee structure;
- Improve enforcement of revocations;
- Hire more support staff so that BTRs and Specialists can devote their time to collections;
- Create a system to track non-ACMS work;

- Increase resources devoted to educating the public;
- Implement monetary penalty for not filing a sales tax return;
- Charge a penalty for “0” returns that prove to have greater amounts due;
- Charge a penalty for a late filing of a “0” return;
- Facilitate collections in the field;
- Hold corporate officers accountable for sales tax liabilities.

METHODOLOGY

One hundred and eighty-one employees attended meetings at their worksites—164 of whom are collections staff. This figure represents approximately 12.5 percent of the BOE employees that are assigned to collection activities. We visited 14 work locations, which included one out-of-state office (Chicago), headquarters and 12 district offices:

Sacramento/Power Inn, Suisun City, West Covina, Culver City, San Jose, Santa Rosa, Norwalk, Riverside, San Diego, San Francisco, Ventura and Oakland.

The meeting in Chicago was comprised of Auditors only. At the rest of the offices, meeting attendees included Tax Technicians (Tax Techs), Business Tax Representatives (BTRs) and Specialists.

Four Board employees made presentations to the collectors, Leora Hill (Culver City), Larry Roberts (San Jose), Tamekia Robinson (Suisun City) and Bobbi Smith (Headquarters). In addition, a Local 1000 research analyst and union representative recorded information at every meeting. Each meeting lasted from 60 to 90 minutes and state release time was used to allow employees to stay 30 minutes beyond their lunch break.

The employees were presented with a series of questions designed to elicit specific information about how collection accounts are assigned, what type of software and other resources are used in their jobs, what policies exist about clearing accounts and write-offs, employees thoughts about outsourcing, and ways that the Board could generate more revenue. Some employees also

provided written suggestions. Our members worked with our research analysts to identify the main themes that emerged from these meetings.