

RDS
revenue discovery systems

Revenue Enhancement Review
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Budget and resource-challenged governments are in search today to improve their cash flow, compliance, and collection efforts. Discovery/Recovery, Auditing and Outsourced Administration of certain processes can make significant contributions to your bottom line.

This program outline best practices that will add immediate value to the City or County's current efforts by generating needed revenue, increasing the tax-rolls and fostering greater compliance within the business community.

Revenue Discovery and Recovery Program can:

- Identify previously unknown businesses operating within the City/County without paying the appropriate business license fee. These commercial entities are likely to be doing business within the City/County's jurisdiction. They may not be listed in the City's present taxpayer rolls; i.e., as-yet undiscovered taxpayers!

Audit Programs look at:

- City's Sales, Use, and Lodging taxpayer list
- Real Property taxpayer list
- Business license registry (Occupation Taxes and proper classifications)

Identify Revenue Sources

Locally controlled/collected vs. disbursed by State

Business Occupation Tax (Business Licenses)

Franchise Fees

Property Taxes

Alcohol, Lodging, Others

Identify Opportunities for Enhancement

Optimize Compliance

Discovery

designed to identify potential businesses that are unregistered and unknown to the jurisdiction, i.e., non-filers, as distinct from under-filers.

Appropriate for revenue sources with high volume; e.g. business licenses; less useful for lower-volume, special taxes, e.g. lodging

Auditing

designed to verify accuracy of filings over specified time periods by registered businesses, i.e., potential under-filers.

Reduce Cost of Collection

Outsourced Administration

May be appropriate for administering revenue sources that do not require full-time, year-round service; e.g. business licenses.

Program Components & Issues

Discovery

Goal is to balance between casting widest possible net to identify unregistered businesses – while minimizing inconvenience to compliant businesses

Two step targeting process:

Automated data-mining to identify potential unregistered businesses

- For example, cross-check businesses collecting sales/use taxes, business personal property taxes, business licenses

Human review to eliminate false matches, duplicates, etc.

Optional physical canvass of commercial areas

Contact potential non-compliant businesses

By letter requesting proof of registration or exemption

Follow-up by telephone if non-responsive.

Provide taxpayer support to

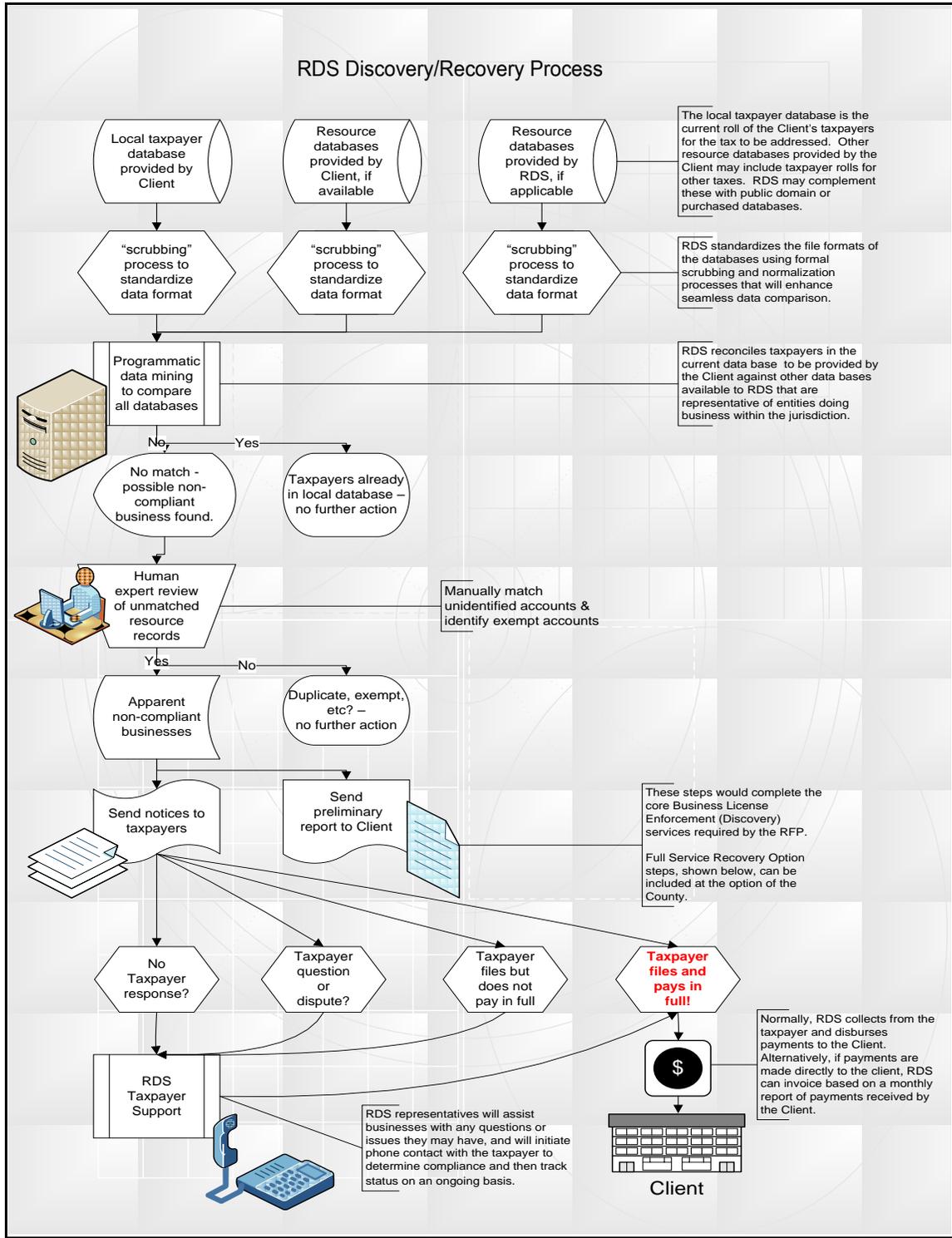
receive & process applications & payments,

issue licenses,

and assist with questions

Revenue results vary depending on previous compliance efforts

- Highest return on initial discovery program
- Maintain compliance through ongoing program.



Audit

Balanced approach:

Most revenue comes from a relatively small number of large taxpayers

Complement with more 'random' audits spread across taxpayer base to educate and encourage taxpayer compliance.

Use objective targeting based on variance analysis to identify symptoms of potential non-compliance

Analyze taxpayer payment data to identify variances

- Within industry; e.g. by NAICS code
- Across time; e.g. this year vs. same time period in previous years.

Identify any potential boundary issues; e.g. businesses in newly incorporated areas of jurisdiction; out-of-jurisdiction businesses selling into jurisdiction.

On-site or remote audit off relevant taxpayer records

Followed by report of findings and collection process

Generally the case that an effective audit program can pay for itself, often several times over.

Outsourced Administration

Analyze fully loaded costs of labor, materials, systems, resources vs. cost of outsourced collection

Taxpayer Registration/Renewal

Records Maintenance

Filing and Payment Receipt, Reconciliation, Disbursement

Delinquency and Underfiling Resolution

Compliance Component (integrate Discovery & Audit program, above)

Taxpayer support & Service