

MAINE STATE LEGISLATURE

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ADMINISTRATIVE & FINANCIAL SERVICES

KIRSTEN LC FIGUEROA
COMMISSIONER

MAINE REVENUE SERVICES

JEROME D. GERARD
EXECUTIVE DIRECTOR

Memorandum

To: Joint Standing Committee on Appropriations and Financial Affairs,
Joint Standing Committee on Taxation
From: Jerome D. Gerard, Executive Director, Maine Revenue Services (MRS)
CC: Kirsten Figueroa, Commissioner, Department of Administrative and Financial
Services
Date: August 18, 2023
Subject: Audit and Collection Report, Explanation of Programs

Attached is the MRS report for contract audit and collection expenses for fiscal year 2023, which is required under 36 M.R.S. § 113(1). Below is a brief explanation of each program listed on the report. Please contact me if you have questions regarding the report.

Transworld Systems, Inc. (TSI): TSI collects individual income tax debts for MRS. TSI is required to employ a minimum staff of 20 tax collection personnel. In addition, TSI employs problem-resolution staff to answer inquiries from taxpayers and their representatives as to the status of tax accounts. The problem-resolution staff also receive and process taxpayer correspondence, make corrections to taxpayer accounts, research taxpayer account histories, negotiate payment plans and review settlement offers, and calculate and recalculate tax, interest, and penalties.

Out-of-State Attorneys: Out-of-state attorneys perform collection activities as authorized under the laws of the State of Maine for the enforcement of delinquent Maine taxes pursuant to final assessments for individuals or entities residing outside of the State of Maine.

Treasury Offset Program: The Treasury Offset Program (or TOP) is administered by the U.S. Department of the Treasury, Bureau of Fiscal Services. The program allows MRS to directly access a Maine taxpayer's available federal income tax refund to offset the same taxpayer's MRS income tax debt. MRS has participated in this program since 2001.

Financial Institution Data Match: MRS has a contract with Informatix, Inc. to perform quarterly data matches with all Maine financial institutions against taxpayers owing MRS tax debts. The matches provide asset information for potential levy sources in cases where a taxpayer is not making payment.

Revenue Solutions, Inc. (RSI) Data Warehouse: RSI provides data warehouse and data mining technology (known as the Data Warehouse Collection Initiative or DWCI) to: (i) increase state

revenue through the identification of individual income tax non-filers; (ii) improve detection of fraudulent income tax and other program refunds; and (iii) provide substantial support for revenue estimation and econometric research.

RSI Collection Project: The goal of the RSI Collection Project is to increase collections through using improved technology and the data warehouse. The Project has improved case management, levy management, and address maintenance and return mail processing. It has also replaced manual processes and has automated payment agreements. In addition, the Project has implemented analytical scoring modules, an expanded collections dashboard, collections reports, and predictive dialer functions. This is a benefits-based contingency fee contract, with payments to RSI for accepted deliverables contingent on the additional revenue collected.

Lien Costs Imposed by the Registry of Deeds: Tax liens filed in the county registries are used to secure MRS tax debts.

State Indirect Cost Allocation Plan (STACAP or SWCAP): MRS provides un-billed central services to State programs that operate with federal and/or special revenue funds. To recover the cost of providing these services, MRS must prepare a STACAP. The plan is used to develop indirect cost rates to allocate to the federal and special revenue fund units their "fair share" of the indirect costs. In addition, to recover indirect costs from federal funds, the State Controller's Office must successfully negotiate the STACAP with representatives of the U.S. Department of Health and Human Services, Division of Cost Allocation.

Maine Revenue Services
Annual Report: 36 M.R.S. § 113(1)
For the year ending June 30, 2023

| Program Description | Cash Collected | Administrative Costs | Net Benefit | Collection Ratio |
|--|-----------------------|-----------------------------|---------------------|-------------------------|
| Transworld Systems Inc. (TSI) Primarily for collection effort when individual debtors are located in Maine | \$44,806,059 | (\$7,280,922) | \$37,525,137 | 6.15 TO 1 |
| Out-of-State Attorneys Debt collection effort outside of Maine | \$225,563 | (\$70,120) | \$155,443 | 3.22 TO 1 |
| Treasury Offset Program MRS offset of Federal Income Tax Refunds | \$718,957 | (\$26,495) | \$692,462 | 27.14 TO 1 |
| Financial Institution Data Match | \$5,758,204 | (\$25,365) | \$5,732,839 | 227.01 TO 1 |
| RSI Data Warehouse | \$19,248,536 | (\$793,604) | \$18,454,932 | 24.25 TO 1 |
| RSI Collections Project | \$35,076,019 | (\$625,880) | \$34,450,138 | 56.04 TO 1 |
| Lien Costs imposed by the Registry of Deeds | | (\$303,871) | (\$303,871) | - |
| STACAP Expense | | (\$273,619) | (\$273,619) | - |
| Totals | \$105,833,338 | (\$9,399,875) | \$96,433,462 | 11.26 TO 1 |