

PUBLIC HEARING ON
BILL 19-8
“DELINQUENT DEBT RECOVERY ACT OF 2011”

Before the
Committee on Government Operations and the Environment
Council of the District of Columbia

The Honorable Mary M. Cheh, Chairperson

March 22, 2011, 10:30 a.m.
John A. Wilson Building, Room 412



Testimony of Stephen M. Cordi
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Office of the Chief Financial Officer

Natwar M. Gandhi
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District of Columbia

Councilmember Cheh and members of the Committee, my name is Stephen Cordi, Deputy Chief Financial Officer for the Office of Tax and Revenue. I very much appreciate the opportunity to testify today on Bill 19-8, the Delinquent Debt Recovery Act of 2011, and to describe the collection processes of the Office of Tax and Revenue.

The Office of Tax and Revenue is responsible for the administration of the District's major taxes, including the individual income tax, corporate and unincorporated business franchise taxes, sales and use taxes, withholding taxes, the baseball fee, motor fuel taxes and personal and real property taxes. All of these are processed in OTR's integrated tax system, or ITS.

The collection of real property taxes are handled separately within ITS. The sole collection method for unpaid real property taxes authorized by the District is the annual tax sale. This is a very effective collection mechanism and assures a high collection rate.

ITS consolidates the remainder of the taxes, so that all taxes owed by particular taxpayers can be pursued at the same time. The collection process begins with the generation of an initial bill or notice of correction. If the matter is not settled within 60 days, a notice of enforcement is sent by certified mail. Forty-five days after the notice of enforcement is mailed, the cases are assigned, depending upon the amount of the claim, either to our primary collection agency or to our Revenue Officers for individual handling.

Cases assigned to the primary collection agency remain with it unless there is not collection activity within 180 days. If there is no collection activity on particular cases within that period, they will be reassigned to the secondary collection agency.

Our Revenue Officers pursue the cases assigned to them by telephone, individual notices, and field visits. Depending upon the circumstances, the Revenue Officers are authorized to enter into payment plans, file liens, attach salaries and bank accounts, cancel sales tax licenses, and seize business assets.

While this is going on, the District is utilizing a variety of means to collect taxes due on an automated basis. Among these are interceptions of DC tax refunds, interceptions of federal tax refunds, interceptions of DC vendor payments, and City Clean Hands tax clearances for license and contracts. Just underway is

our post-amnesty enforcement program to instruct employers to set withholding allowances to zero for tax delinquents.

The District Council has also authorized OTR to participate in the federal vendor offset program, the programming for which is currently underway and which is expected to be operational this summer. Also in the offing are other improvements including enhanced federal matching programs, the automation of Revenue Agent Reports and upgraded sales and use and withholding tax delinquency programs, the funds for which were authorized by the Council in December.

With the collection initiatives in place and those in the pipeline, OTR believes that the decade old ITS is continuing to provide real value for the District. That said, ITS is a COBOL system approaching the end of its useful life and needs to be replaced. A replacement system would enable the District to enhance collections by the use of a more robust data warehouse, enhanced case flows and decision analytics, among other things. For this reason, the OCFO is requesting capital funds this year to replace ITS within the next few years.

Since Bill 19-8 does not cover the collection of taxes, OTR does not have a position on the legislation. We stand ready, however, to provide what assistance we can.