

State of South Carolina
Department of Revenue



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MEMORANDUM

TO: Agency Heads and Finance Directors
FROM: Burnet R. Maybank, III
DATE: July 28, 2004
RE: \$9 for \$90 Proviso Monthly Update

The purpose of this memorandum is to provide you with a monthly, July, status report of our activities related to Budget Proviso IB-Section 73.9 for statewide revenue for this fiscal year.

A. NEW FTEs

The positions posted between April 21, 2004 and April 30, 2004 have been filled in two phases. The first wave of hires began work June 21 and the second wave began work on July 12. On June 21, 2004, 7 field office auditors, 9 office auditors and 14 tax examiners began work. On July 12, 2004, 4 tax examiners, 4 field office auditors, 5 central revenue officers, 12 taxpayer assistance officers and 23 field revenue officers began work. In the first two phases a total of 78 positions were filled. In the third phase of hiring approximately 35 more revenue producing and support related positions will be

hired. These positions will be posted in August. All individuals hired under the proviso are being tracked as special unit within the agency. Collections by these special unit personnel will be tracked and reported separately.

B. Enforced Collections

The Department of Revenue and the State Treasurer’s Office are in the process of entering into a Memorandum of Understanding (MOU) with one another. As stated in the draft Memorandum of Understanding (MOU):

“The Department of Revenue personnel hired through the proviso will be identified as a special unit within the agency. Collections by these special unit personnel will be tracked and reported after the close of each month. These collections will be transferred from the normal general ledger account into a separate sub-fund and the Treasurer’s office will be notified monthly of the amounts transferred by the Department into this special subfund.”

“Proviso 73.9, Personnel for Increased Enforcement Collections, sets two conditions to be met before any distributions of excess funds are distributed by the Treasurer’s office. The Department of Revenue will be responsible for compiling and reporting to the Treasurer’s Office the information relevant to both proviso conditions. No funds collected outside the collections identified and linked to the new DOR employees discussed above shall be deposited into this new subfund.”

As defined in the MOU, “Customary and usual enforced collections are those from the individuals and businesses in South Carolina that do not pay their taxes and other government debts in a timely fashion. The Department of Revenue collects these debts using several enforcement methods including various functions such as audits, payment on delinquent tax notices, refund reductions, and debt setoffs.”

C. Seasonality of Collections

Starting with the August report we will provide you with the actual collection figures for the new employees (e.g. the \$90 million) plus regular enforced collections (e.g. the \$300 million). Generally total enforced collections rise and fall seasonally. For

fiscal years 2003 and 2004 the first quarter totals for the months of July, August, and September were 25% and 24% of the total. For the second quarter (October, November, and December) in fiscal years 2003 and 2004 totals were 19% and 23% of the total. Third quarter (January, February, and March) percentages are usually the highest, yielding 33% in FY03 and 34% in FY04. Fourth quarter (April, May, June) totals tend to follow those in the second quarter collecting 23% of the total in FY03 and 19% in FY04.

C. Reporting Methodology

All enforced collections will be deposited daily into their relevant tax general ledger accounts, and reported monthly to the State Treasurer by the Department of Revenue. The DOR will continue to use the same reporting methodology that has been in place for many years and is incorporated into the agency's automated receivables management system. The enforced collections report is normally generated approximately two to three weeks following the end of the month for which payments are received. This monthly enforced collections report will be forwarded to the Treasurer's Office monthly by the Department of Revenue to certify the monthly and cumulative amount of normal enforced collections. The first report of this fiscal year will be ready approximately August 20 after compiling the July results. The final collection report will be ready for distribution July 20, 2005, following the end of fiscal year 2005.