

STATE OF SOUTH CAROLINA

South Carolina State Treasurer's Office)	
)	MEMORANDUM
And)	OF
)	UNDERSTANDING
South Carolina Department of Revenue)	
)	
)	

WHEREAS, in the 2004 Budget the South Carolina Assembly passed Budget Proviso IB, Section 73.9

WHEREAS, the purpose and intent of this Proviso is to provide an increase in some \$9 million in funding to the South Carolina Department of Revenue in return for the Department of Revenue collecting an additional \$90 million.

WHEREAS, the Proviso provides funding to a host of state agencies from this \$90 million;

WHEREAS, the Proviso as stated below, limits and defines the collections which will be credited towards the \$90 million;

WHEREAS, both the Department of Revenue and the State Treasurer's Office have significant responsibilities under the Proviso;

WHEREAS, the State Treasurer's Office and the Department of Revenue desire to memorialize their respective responsibilities to better ensure that the legislative spirit and intent of the proviso are strictly complied with;

The State Treasurer's Office and the South Carolina Department of Revenue accordingly agree as follows:

1. The primary contact at the Department of Revenue for questions relating to the implementation of the Proviso shall be John Taylor; the primary contact at the State Treasurer's Office is Paul Jarvis.
2. In accordance with the Proviso, the Department of Revenue shall hire specifically identified additional enforcement personnel (agents, auditors and support, (see below)) and will develop systems, including tracking of these funds, to enhance audit and collection activity.

3. As stated below, the Department of Revenue warrants that the revenue generated from this specific audit, assessment, and collection activity of the new employees shall be identified, tracked and recorded for designation in an account within the Department.
4. 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 to be assigned by the Treasurer and the Treasurer's office will be notified monthly of the amounts transferred by the Department into this special subfund.
5. Proviso 73.9, Personnel for Increased Enforcement Collections, sets two conditions (see below) to be met before any distribution 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.
6. The Proviso segregates enforced collections into:
 - (1) Increased Enforced Collections; and
 - (2) Customary and Usual Enforced Collections.
7. Customary and usual enforced collections, separate from these increased collections identified above, 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.
8. As stated below, all enforced collections are deposited daily into their relevant tax general ledger accounts, and reported monthly to the State Treasurer's by the Department of Revenue. The DOR will use the same reporting methodology has been in place for many years and is incorporated into the agency's automated receivables management system. (A specimen copy of the reporting methodology is attached as Ex. A). 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.

9. The Department of Revenue shall promptly respond, to any inquiries or questions from the State Treasurer's Office. The Department of Revenue shall promptly provide and, in any event, not more than five business days, any documents requested by the Treasurer's Office.

South Carolina State Treasurer's Office

By: _____

Its: _____

South Carolina Department of Revenue

By: _____

Burnet R. Maybank, III
Its: Director