



NCDOR
DEPARTMENT OF REVENUE

*NC Vendor Attachment
Program*

*OSC Financial Conference
December 13, 2011*



The seal of the Office of the State Controller, featuring a central figure holding a scale and a sword, surrounded by the text "OFFICE OF THE STATE CONTROLLER" and "THE GREAT SEAL OF THE STATE OF NORTH CAROLINA". Below the seal are the words "Integrity • Accountability".



NCDOR

Vendor Attachment Project

- Joint NCDOR/OSC project
- Work began in April 2010
- Implemented 4th Quarter 2010
- \$3.3 million in net collections applied to taxpayer's tax due



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Vendor Attachment Program Goals

- Collect past-due taxes from businesses
- Prevent the State from paying-out funds to debtor businesses

- ◆ Primarily involves “trust” taxes
 - ▣ Sales taxes collected from retail customers
 - Income tax withheld from employees’ wages



Current program statutory authority

- NC Gen. Stat. 105-242(b) Attachment and Garnishment
 - ▣ Applies to all intangible property held for or owed to a debtor taxpayer
 - Wages subject to 10% garnishment
 - All other property subject to 100% attachment
 - Garnishee (holder of funds) can be held liable for any funds not remitted to NCDOR



How Process Works



- Agency enters invoices into NCAS for payment
- Nightly, NCAS sends a file to NCDOR of all planned payments
- NCDOR scrubs the file against debtor records
- Any matches are returned to NCAS with a new voucher, redirecting the funds to NCDOR



How Process Works



- Agency NCAS contact is notified of change and must approve new voucher
- NCDOR mails garnishment notice and NCAS sends notification to vendor that payment has been offset
- Payment is posted to vendor's tax account



How Process Works



- Process is fully automated and electronic
- Process is very fast. Typical turn-around time from payment requisition to funds applied to vendor's tax account is less than 48 hours



Typical Issues Experienced



- Large, bureaucratic businesses that owe tax, pressuring State agency for payment
- Vendor believes tax is not due
- Vendor relies on State business and payments and may go out of business
- Assertions of funds not being subject to garnishment ...



Exempt Payments

- Only payments specifically exempted from attachment and garnishment by statute or case law

- Federal Grants
- Unemployment Compensation
- Certain retirement programs
- Aid to the Blind
- Child Support Payments
- Social Security



How to get help

■ Vendor / taxpayer

- Refer vendors with questions to the Department:
 - 1-877-919-1819, extension 10053
 - May also contact us using information on notices received from the Department

■ State Agencies

- ***Nancy Moore - primary***
 - (252) 830-8536 ext: 212
 - Nancy.Moore@dorn.com
- Charlie Helms
 - (919) 733-3510
 - Charlie.helms@dorn.com



Future plans for vendor payment offsets

- Move to an “offset program”
- New statute allows 105A offset agencies to participate
- Expand offsets to non-NCAS agencies



Why it's important – Key Stats

- Accounts Receivable: \$1.1 Bil (10/31/11)
 - 38% in pay plan or collection action
 - Open 34%
 - Not Available 28%
 - 75.5% less than 2 yrs old
 - Cleared \$1.1 Bil in receivables during the 2010-11 fiscal year
- Total TC Collections: \$657 Mil (FY 10-11)
 - Collection Division's share: \$460 Mil
- Collection Division Return on Investment: \$40.06
 - For every \$1 spent on salary and expenses, the Collection Division returned \$40.06
- 38K Bank Drafted Installment Plans
 - Average Balance: \$3,700
 - Default Rate: Less than 10%
- 21K Paper Pay Plans
 - Average Balance: \$1,500
 - Default rate over 50%



Other Initiatives

- Returned Mail Automation
 - Over \$8.5 mil collected since April 22, 2010
- Automated Attachment
 - Cases processed via the AA process - August 2010 to July 31, 2011 - 1.357 Million
 - 107,636 Bank and 305,210 Wage Garnishments issued
 - \$54.7 million collected



Other Initiatives

- Automated review of uncollectible accounts
 - \$13.3 Million collected
- FIRM project
 - Feeds auto-attachment process with banking information
 - Law requires financial institutions to provide banking information to NCDOR
 - DOR uses data to know where to issue garnishments



Questions?



Contact Information

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