Ms. Susan Catron, Executive Editor  
Savannah Morning News  
Post Office Box 1088  
Savannah, GA 31401-1088

Dear Ms. Catron:

Your editorial, “State Revenue Collections: Leaky Bucket” that was published on January 28, 2010, has been brought to my attention. The issues raised in the editorial are not new and the figures presented therein cannot be substantiated by any source. Nevertheless, it is important for the Department to continue to provide information to all Georgia citizens about the misconception that privatization of local sales tax collection could prove to be a quick budget fix for local governments. However, it will definitely be unnecessarily burdensome and costly for all those Georgia businesses who consistently comply with the law.

The assertion continues to be made that “a whopping $1 billion in sales taxes annually” is going uncollected. The premise behind the assertion is that it is due to “inefficiencies in collection at the point of sales.” There is no documented support for this number or where it came from. We suspect it came from the company lobbying to do for-profit collections and audits.

In general, states across the country have decided that it doesn’t make sense to require businesses to file a separate return for each county in which they do business. Less than 5 states with state and local sales taxes allow collection and audit at the local level. Were this to be true in Georgia, consider that each county would have the authority to perform its own tax audits, make its own legal interpretations, and entrust confidential information to private collectors and numerous local government officials, all of whom would otherwise have no legitimate tax compliance reason to know. Consider also that other legal complications would ensue due to ignored legal precedent and conflicting legal interpretation.

The seemingly obvious result would be more tax litigation in Georgia’s court system as local Georgia companies would be left to litigate the same issues in every jurisdiction in which they operate. Having two conflicting opinions on the same sales tax issue will leave Georgia taxpayers lost in a legal wasteland asking the State to intervene. This is not merely speculation.

There have been dozens of lawsuits in Alabama just over the past decade in which local jurisdictions and their collectors have tried to apply different interpretations of both the sales tax law and the Alabama Taxpayer Bill of Rights. The unresolved concerns over these issues and the use of commissioned private collectors are witnessed by the class action lawsuit filed against the largest private collector in Alabama, filed in November 2009 in Montgomery, Alabama Circuit Court.
Most problematic is that those interested in this proposal want to outsource collection and audits to private for-profit companies. If the Department was funded this way rather than through legislative appropriation we would never waive another penalty upon reasonable basis and we would have collectors on every corner interfering with legitimate business operations every day while trying to find the illegitimate ones all because the Department sought to make more money doing it.

In Georgia, only appropriated funds can be used for tax administration and collection under the State Constitution. Consequently, it seems to be a substantive conflict with that requirement if for-profit companies are allowed to collect and audit.

Every year, the Department is contacted by dozens or even hundreds of people from all over the state who advocate for leniency and consideration of their local companies who have tax delinquency issues. We have documented standards so that all taxpayers are treated equitably. We, in turn, are part of the Executive Branch managed by the Governor. We are subject to oversight by the Legislature and are routinely audited by the State Auditor. The State Auditor reports directly to the Legislature. The point is, within the current system there is strong oversight of the Department to ensure taxpayers are treated fairly and that the Department operates within its statutory framework. Under the proposed system, the only sense of equity would be left to those with the closest ties to the owners and management of the private for-profit collection companies. It is hardly the way I would want to be treated.

The Department has always said that more collectors will collect more money. Over the past five years specifically, our enhanced past due collection initiatives have resulted in over $515 million in additional collections. If local jurisdictions want the Department to conduct more audits, we have always said that we would perform audits for them on a contractual basis where they can clearly see direct results while at the same time ensure the tax collector (the Department) has consistent statewide oversight just as we have today. We will partner with local jurisdictions to identify businesses that are not registered so that they can be registered and brought into compliance immediately. All this requires is their interest, technology and time. One such program is underway now. Chatham County was invited to participate but, to date, has chosen not to attend the meetings. The work being done to date has been done by Hall County. Hall County, for instance, has invested a significant amount of effort in this initiative.

Finally, Georgia citizens should be reminded that the Department supported legislation beginning in 2007 and passed in 2009 to require more businesses of a reasonable size to file electronically. This electronic filing requirement was passed by the General Assembly and signed into law by the Governor. It will allow the Department to spend more of its resources on collections and less on data processing once it is fully implemented this year. The proposed private plan requires all companies to file electronically whether they have the capability or not.

Over the past six and a half years, the Department has drastically changed the way it conducts business on behalf of Georgia's citizens. We invite anyone who wants to learn more about the impact and repercussions attendant to privatization of sales tax collection to visit our website at www.dor.ga.gov. If the Editorial Staff would like to see all the new technology deployed by the Department over the last five years, I will be pleased to give you a personal tour.

Sincerely,

Bart L. Graham

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