



Department of Revenue Division of Taxation

Joint Municipal Shared Services Study Commission

**Tax Collection Advisory Committee
January 7, 2014**



Department of Revenue Division of Taxation

Mission Statement

To assess and collect all taxes that the legislature places under the control of the Tax Administrator in the most efficient and cost-effective manner, to provide service to the taxpayers by helping them understand and meet their tax responsibilities, and to foster voluntary compliance with the tax laws by instilling public confidence through professional, impartial and ethical conduct.



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Division of Taxation

Division Overview

- ❑ 208 Full-time Employees
- ❑ Administers 56 different taxes and fees
- ❑ In FY2013, collected over \$2.9 billion in Revenue
- ❑ Annually process over 2.5 million returns
- ❑ Currently in year one of a three-year system upgrade



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Local Tax Collections
Administered by State

- ☐ Hotel Tax
- ☐ Local Meals and Beverage Tax
- ☐ Delinquent Collections



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Hotel Tax

[R.I. Gen. Laws §44-18-36.1\(a\)](#)

- ☐ Five Percent (5.0%) hotel tax is imposed upon the total consideration charged for occupancy of any space furnished by any hotel in this state
- ☐ The tax is administered and collected by the Division of Taxation



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5% Hotel Tax Summary of Distribution

	Percentage of Total Revenue
Regional Tourism District where the Hotel is Located	47%
City or Town where the Hotel is Located	25%
Greater Providence-Warwick Convention and Visitors' Bureau	7%
General Revenue	<u>21%</u>
Total Percentage	100%



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Local Hotel Tax

[R.I. Gen. Laws §44-18-36.1\(b\)](#)

- ☐ Additional 1% local hotel tax
- ☐ All sums received by Taxation under this section are distributed on a monthly basis to the city or town where the hotel is located



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Local Meals and Beverage Tax

[R.I. Gen. Laws §44-18-18.1](#)

- ☐ Local tax imposed on every meal and/or beverage sold within Rhode Island from an eating and/ or drinking establishment
- ☐ Rate = 1% of gross receipts



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Local Meals and Beverage Tax

- ☐ The tax is administered and collected by the Division of Taxation
 - ☐ All sums received by Taxation under this section are distributed on a monthly basis to the city or town where the meals and beverages are purchased.
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Delinquent Collections

[R.I. Gen. Laws §42-142-7](#)

- ☐ Allows any governmental entity (including cities and towns) to contract with the Division of Taxation to collect outstanding liabilities owed to the governmental entity.
- ☐ Currently two cities participate in the Division of Taxation's refund offset program.



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Delinquent Collections

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Refund Offset Program		
Government Entity	CY 2012	CY 2013
City of East Providence	\$ 27,983.89	\$ 341,415.00
City of Woonsocket		\$ 69,929.00
TOTAL	\$ 27,983.89	\$ 411,344.00



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Local Tax Administration

Major Functions:

- ☐ Appraisal
- ☐ Billing
- ☐ Collection
- ☐ Delinquencies & Enforcement
- ☐ Appeal Process



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Local Tax Administration Alternatives

- ☐ Regionalization
- ☐ Local Tax Administration at State Level
- ☐ Centralization of Select Services



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Local Tax Administration Regionalization

- State of Pennsylvania local tax administration
 - For Profit – Berkheimer Tax Administrator (1.50% to 1.75% commission)
 - Non-profit – Capital Tax Collection Bureau (1.50% commission)



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Local Tax Administration at State Level

State currently performs limited local tax administration – Hotel, Meals & Beverage, and Delinquent Collections – but there are many aspects to consider if the State were to assume a more expansive role in local tax administration.



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Local Tax Administration at State Level

Pros:

- ☐ Consolidated printing/mailing operations
- ☐ Consolidated deposit functions
- ☐ Increased delinquent collection and enforcement efforts



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Local Tax Administration at State Level

Cons:

- ☐ Potential IT interface issues between State, cities & towns
- ☐ City & town localized customer service could be impacted
- ☐ Guarantee that funds would continue to flow to cities and towns



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Local Tax Administration at State Level

Survey of States:

- ☐ 19 states and Washington, DC, replied to survey regarding local tax administration at state level
- ☐ Only two administer local property tax



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Local Tax Administration at State Level

Washington, DC:

- ❑ Population – 632,300
- ❑ Approximately 190,000 taxable and exempt parcels (61.4 square miles)
- ❑ Total FTEs for property tax administration - 131: 65 Assessment Positions, 40 Billing Positions, 6 Management Positions and 20 Recorder of Deeds Positions
- ❑ Total Budget - \$15.8 million (does not include budget for IT, legal and contracting services)



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Local Tax Administration at State Level

Alabama Department of Revenue (ADOR):

- ☐ ADOR entered into a Memorandum of Agreement with Marshall County to run the daily operations of tax assessor's and collector's offices.
- ☐ Population – 93,019
- ☐ Approximately 61,354 taxable and exempt parcels (623.16 square miles).
- ☐ ADOR does not charge the county for these services.



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Local Tax Administration at State Level

	State of Rhode Island *	Washington, DC	Marshall County, AL
Population	1,050,000	632,300	93,019
Taxable/Exempt Parcels	318,317	190,000	61,354
Total FTEs	98.9	131.0	Unknown
Personnel Cost	\$ 4,071,568	\$ 15,800,000	Unknown

* Joint Municipal Shared Services Study Commission's Tax Collection Survey (33 out of 39 cities and towns responded)



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Local Tax Administration - Centralization of Select Services

- ☐ Printing/Mailing – Cost savings from bulk printing and mailing rates
 - ☐ Deposit Operations – Lockbox operations
 - ☐ Assessment Services
 - ☐ Other Services
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Questions?