STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Revenue - Offsets

Performance Audit Report

January 2013

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Comptroller of the Treasury

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January 7, 2013

The Honorable Ron Ramsey
Speaker of the Senate
The Honorable Beth Harwell
Speaker of the House of Representatives
The Honorable Mike Bell, Chair
Senate Committee on Government Operations
The Honorable Barrett Rich, Vice Chair
House Committee on Government Operations
The Honorable Randy McNally, Chair
Senate Finance, Ways and Means Committee
The Honorable Charles Sargent, Chair
House Finance, Ways and Means Committee
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable Richard H. Roberts, Commissioner
Department of Revenue
414 Union Street, Suite 700
Nashville, Tennessee 37219

Ladies and Gentlemen:

As required by *Tennessee Code Annotated*, Section 67-1-1808(k), we have conducted a performance audit of the implementation and enforcement of Chapter 1113 of the *Public Acts of 2010* by the Department of Revenue.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Management of the Department of Revenue is responsible for establishing and maintaining effective internal control and for complying with applicable laws, regulations, and provisions of contracts and grant agreements.

Our audit disclosed a finding which is detailed in the Objectives, Methodologies, and Conclusions section of this report. Management of the Department of Revenue has responded to the audit finding; we have included the response following the finding. We will follow up the audit to examine the application of the procedures instituted because of the audit finding.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/sah
12/065

State of Tennessee

Audit Highlights

Comptroller of the Treasury Division of State Audit

Performance Audit
Revenue - Offsets
January 2013

AUDIT SCOPE

We have audited the implementation and enforcement of Chapter 1113 of the *Public Acts of 2010* by the Department of Revenue. The law provides for the offset of a taxpayer's refund of state taxes by the amount of debt the taxpayer owes to the state. Our audit scope focused on assessing the effectiveness of the law including, but not limited to, the efficiency of the administrative procedures established for notice and hearing of appeals and the amount of revenue recovered relative to the cost of implementation and maintenance. The audit was conducted in accordance with generally accepted government auditing standards.

AUDIT FINDING

The Department of Revenue Did Not Always Comply With State Law, Which Requires the Department to Offset Taxpayers' Debts to the State Against Refunds Owed to Those Taxpayers for Overpayments of Taxes

Our testwork revealed instances in which the department failed to comply with Chapter 1113 of the *Public Acts of 2010*, which was established to provide for the offset of a taxpayer's refund of state taxes by the amount of debt the taxpayer owes to a state claimant for refunds in the amount of $200 or more (page 6).

Performance Audit
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Performance Audit
Revenue - Offsets

INTRODUCTION

AUDIT AUTHORITY

This audit of the implementation and enforcement of Chapter 1113 of the *Public Acts of 2010* by the Department of Revenue was conducted pursuant to Section 67-1-1808(k), *Tennessee Code Annotated*, which requires us to assess the effectiveness of Chapter 1113 and report to the Finance, Ways and Means Committees and the Government Operations Committees of the Senate and the House of Representatives.

BACKGROUND

Chapter 1113 of the *Public Acts of 2010* was established to provide the state with a process for the offset of a taxpayer's refund of state taxes by the amount of debt the taxpayer owes to a state claimant (for refunds in the amount of $200 or more). *Tennessee Code Annotated*, Section 67-1-1808, in subsection (a)(1), defines a claimant as "any state agency, department, board, bureau, commission, or authority to which a taxpayer owes any debt listed in subsection (d) or that acts on behalf of a person to collect such debt."

Subsection (d) lists the following debts that shall be used to offset a refund of taxes:

- state tax liabilities;
- child support;
- overpayment of unemployment compensation benefits;
- overpayment of medical assistance benefits owed to the Bureau of TennCare;
- a student loan or other obligation due to the Tennessee Student Assistance Corporation;
- fees, costs, or restitution owed to a clerk who serves a court of criminal jurisdiction;
- costs of incarceration;
- judgments and liens in favor of a claimant; or
- any debt owed to any other claimant.

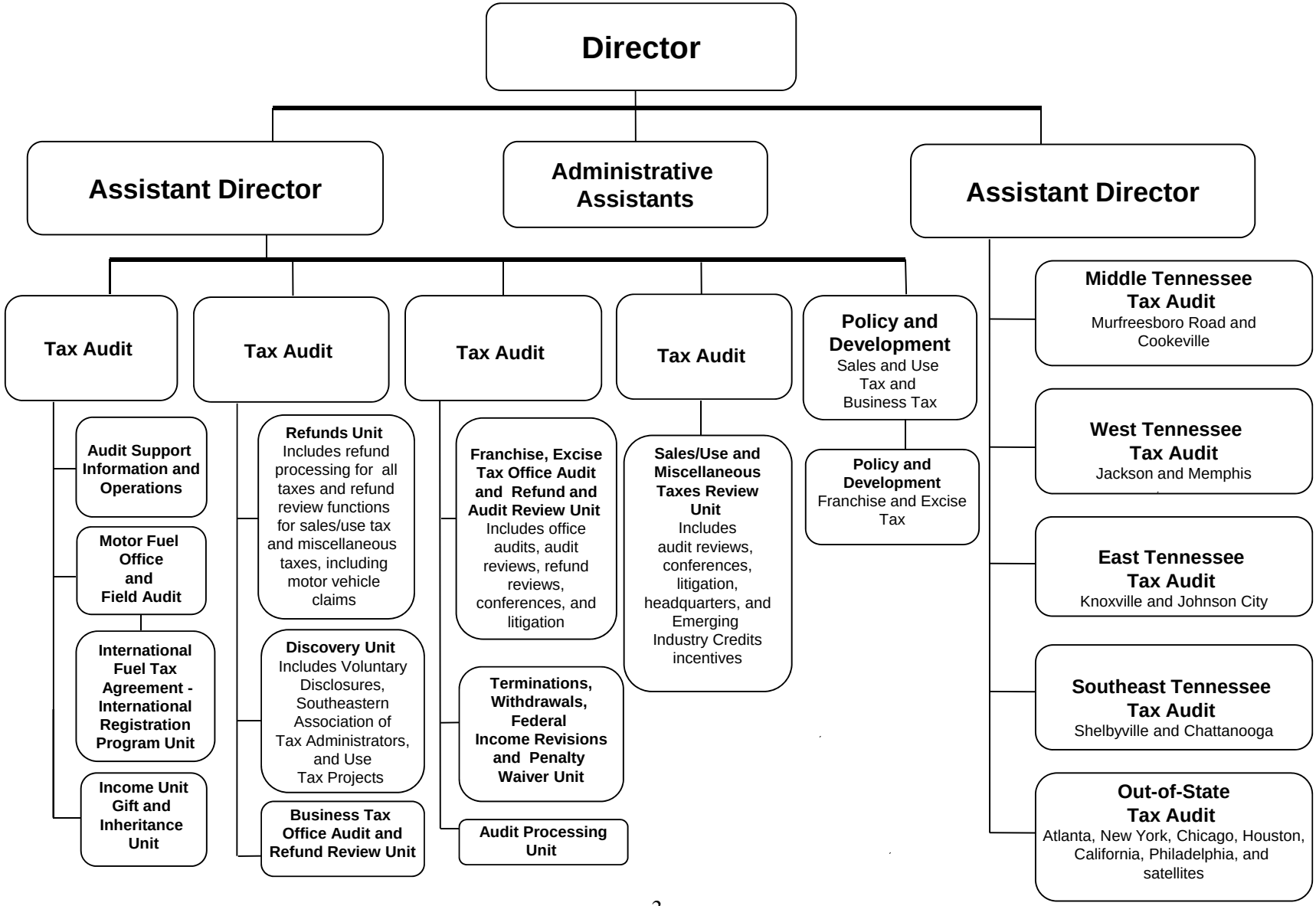
The Department of Revenue is responsible for the collection of most state taxes and issuing taxpayer refunds when appropriate; therefore, the law provides for the department to play an integral role in the offset process. Within the department, the Audit Division is responsible for the offset process. The Audit Division's organization chart is on the next page. The department's responsibilities include

- obtaining a Report of Debts from the taxpayer seeking a refund of $200 or more;
- notifying the treasurer and each claimant identified on the Report of Debts of the department's intent to issue a refund;
- establishing procedures for appeal after a claimant notifies a taxpayer of the state claimant's intent to offset the refund;
- setting off the appropriate amount of debt against the tax refund and providing written notification to the taxpayer;
- annually preparing a list of taxpayers for the previous year who filed claims for refunds and received such refunds ($200 or more) and did not report any debts and submitting the list to the following state claimants for their review:
    - Department of Human Services,
    - Department of Labor and Workforce Development,
    - Bureau of TennCare,
    - Tennessee Student Assistance Corporation,
    - Administrative Office of the Courts,
    - Attorney General and Reporter; and
- following up on the information reported to the department by these state claimants regarding debts owed by a taxpayer at the date of the claim for refund and making an assessment against the taxpayer to recover the amount of debt that would have otherwise been offset against the refund payment.

In accordance with the law, the state claimants who receive the list from the Department of Revenue are charged with comparing the list with the information in their records to determine if any of the taxpayers included on the list owed a debt to the state claimant as of the date of the claim for refund. If they determine that any of the taxpayers owed a debt, they are to notify the Department of Revenue of the name of the debtor, the amount of the debt, and the date on which the debt was incurred.

DEPARTMENT OF REVENUE
AUDIT DIVISION

July 2012



AUDIT SCOPE

We have audited the implementation and enforcement of Chapter 1113 of the *Public Acts of 2010* by the Department of Revenue. Our audit scope focused on assessing the effectiveness of the law including, but not limited to, the efficiency of the administrative procedures established for notice and hearing of appeals and the amount of revenue recovered relative to the cost of implementation and maintenance of the law's provisions. The audit was conducted in accordance with generally accepted government auditing standards.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

IMPLEMENTATION AND ENFORCEMENT OF CHAPTER 1113 OF THE *PUBLIC ACTS OF 2010*

Our objectives in evaluating the Department of Revenue's implementation and enforcement of Chapter 1113 of the *Public Acts of 2010* were to determine whether

- the department obtained a Report of Debts from taxpayers requesting a refund of $200 or more and processed the information appropriately including taxpayer notification of any offset of the refund for debts owed to the state;

- the department's annual list of taxpayers who filed claims for refunds and received such refunds ($200 or more) and did not report any debts was accurate and was sent to the designated state claimants timely;

- the designated state claimants had procedures in place to review the annual list, performed appropriate follow-up on the list, and reported back to the department;

- the department took appropriate action on any information received from the designated state claimants; and

- the department established policies and procedures over the hearing of appeals from taxpayers regarding a tax refund offset.

To gain an understanding of the legal requirements, we reviewed Chapter 1113 of the *Public Acts of 2010* and Sections 67-1-1802 and 67-1-1808, *Tennessee Code Annotated*. We interviewed key department personnel to determine what procedures the department had in place to ensure compliance with the requirements. We also reviewed the department's risk assessment and talked to the Director of Internal Audit.

We obtained the department's schedule entitled "Debts Reported by Taxpayers When Requesting Tax Refund," which included all tax refunds that had been offset by the department for the period June 29, 2010, through January 26, 2012, for taxpayers who claimed refunds of $200 or more and disclosed debts to state claimants on the Report of Debts form. We attempted to trace all of the information on the schedule to the department's Revenue Integrated Tax System and to applicable supporting documentation in the taxpayer's file to ensure that the data was accurate and to determine if the department followed all applicable rules and regulations when offsetting tax refunds against debts owed to the department.

We obtained the department's listings of taxpayers who filed claims for refunds and received refunds of $200 or more for which no debts were reported, entitled "Report of Refunds Paid Without Offset," for the period July 1 through December 31, 2010, and for calendar year 2011. We tested a nonstatistical sample of taxpayers from each listing and reviewed supporting documentation to determine if the lists were accurate. We also contacted the designated state claimants to confirm that they received the listings.

We made inquiries of personnel at the designated state claimants to determine if the claimants had procedures in place to review the annual listings provided by the Department of Revenue and if the claimants' staffs had performed appropriate follow-up on the listings and reported back to the Department of Revenue. We also made inquiries of key personnel at the Department of Revenue to determine what steps they had taken in response to the information received from the state claimants.

Finally, we made inquiries of personnel at the Department of Revenue to determine if the department had developed policies and procedures governing the hearings process for taxpayers appealing a tax refund offset as required by Chapter 1113 of the *Public Acts of 2010*.

Based on our review, interviews, and testwork, we determined that

- the department did not always process the information on the Report of Debts appropriately, including taxpayer notification of any offset of the refund for debts owed to the state (see the finding);

- the department's staff did not maintain all of the supporting documentation for some of the information on the 2011 and 2010 annual list of taxpayers who filed claims for refunds, received such refunds, and did not report any debts, and also did not send the 2010 report to state claimants timely (see the finding);

- the designated state claimants had procedures in place to review the annual list, performed appropriate follow-up on the list, and reported back to the department;

- the department took appropriate action on any information received from the designated state claimants; and

- the department had not developed policies and procedures governing the hearing of appeals from taxpayers regarding a tax refund offset (see the Observation and Comment section).

The Department of Revenue did not always comply with state law, which requires the department to offset taxpayers' debts to the state against refunds owed to those taxpayers for overpayments of taxes

Finding

Under Chapter 1113 of the *Public Acts of 2010*, the Department of Revenue is required to offset a taxpayer's debt(s) to a state claimant or claimants when the taxpayer is also due a refund of $200 or more in state taxes. Specifically, the law has two major requirements. One requirement involves the department's staff obtaining a Report of Debts from taxpayers who have requested refunds of $200 or more and verifying the debts with the applicable state claimant(s) as reported by the taxpayers. Once that verification is complete, the department's staff must appropriately offset all debts prior to processing and issuing the refund to the taxpayer. The other involves an annual requirement for the department's staff to follow up with state claimants regarding those taxpayers who received a refund of $200 or more but did not report any debts owed to the state to determine if the taxpayer did in fact have outstanding debt at the time the taxpayer filed a claim for a refund. We performed testwork on both requirements and found the issues discussed below.

Taxpayers' Debts Disclosed on the Report of Debts

Section 67-1-1802(a)(1)(B)(i), *Tennessee Code Annotated*, states,

> Any taxpayer requesting a refund in the amount of two hundred dollars ($200) or more that is not eligible for automatic credit or refund pursuant to subdivision (a)(1)(A) shall complete and submit a written report of debts owed to a claimant.

The Department of Revenue's Report of Debts form requires the taxpayer to indicate whether or not any of the following debts are owed as of the date of the claim:

- state tax liabilities;
- child support;
- overpayment of unemployment compensation benefits;
- overpayment of medical assistance benefits owed the Bureau of TennCare;
- a student loan or other obligation due to the Tennessee Student Assistance Corporation;

- fees, costs, or restitution owed to a clerk who serves a court of criminal jurisdiction;
- costs of incarceration;
- judgments or liens in favor of a state agency, department, commission, or bureau; or
- any other debt owed to any other state claimant.

If a taxpayer reports any debts owed for the above, the Department of Revenue is required to perform certain actions including

- setting off debts to state claimants against refunds claimed by the taxpayer after determining that the refund and offset amounts are proper and
- notifying the taxpayer in writing and providing an accounting of the action taken on any refund when a refund is set off by the debts owed.

To evaluate the department's compliance with the first major requirement of the law, we obtained the department's schedule entitled "Debts Reported by Taxpayers When Requesting Tax Refund," which consisted of taxpayers who claimed refunds of $200 or more and disclosed debts to state claimants during the audit period. The schedule included several columns of information such as the name of the taxpayer, account number, county, approved refund amount, offset amount per claimant, difference to taxpayer, RD (Report of Debts) savings, date refund was paid, and the payee. In our review of the department's schedule, we attempted to trace all of the information to the Revenue Integrated Tax System and to applicable supporting documentation in the taxpayer's file such as the Request for Refund, Claim for Credit or Refund of Sales and Use Tax, Report of Debts, and the copy of the check. As a result of our testwork, we found the following:

- The department paid a $1,600 refund to a taxpayer who reportedly owed $3,534.50 to the Circuit Court for Maury County. The taxpayer disclosed a debt for fees, costs, or restitution owed to a clerk who serves a court of criminal jurisdiction, but the department failed to offset the taxpayer's refund. The Tax Audit Supervisor agreed that the refund should have been offset.

  Section 67-1-1802(a)(1)(B)(i), *Tennessee Code Annotated*, states, "If a debt is reported and if the claim for refund is approved, any or all of the refund amount shall be subject to offset to recover the amount of such debt, subject to the requirements of § 67-1-1808."

- For 14 of 17 taxpayers who had a refund set off against a debt (82%), the department failed to notify the taxpayer in writing that the refund for which the taxpayer had applied had been set off because of a debt owed to a qualified claimant. Section 67-1-1808(h)(2), *Tennessee Code Annotated*, states, "The commissioner of revenue shall notify the taxpayer in writing and provide an accounting of the action taken on any

refund whenever the commissioner sets off a taxpayer's refund pursuant to this section."

We provided a list of these taxpayers to the Tax Audit Supervisor, who stated that "Revenue agrees that these debtors did not receive any correspondence confirming the offset was complete . . . [however] all of the debtors not only knew about their liabilities, mostly all provided the claimant information and the amount owed."

- For 4 of 18 taxpayers tested (22%), the amount in the column "Offset Amount Per Claimant," which is the amount listed as owed to state claimants other than the Department of Revenue, was misstated. One amount was overstated by $249.00; however, since the refund amount was less than the offset amount, the total refund amount was paid to the Circuit Court Clerk. One amount was overstated by $23.48. As a result, the amount that was sent to the Department of Labor and Workforce Development was overstated by $23.48. One amount was understated by $13,357.16; however, since the refund amount was less than the offset amount, the total refund was sent to the Department of Human Services. One amount was understated by $7,803.50; however, since the refund amount was less than the offset amount, the total refund was sent to the Criminal Court Clerk. The Tax Audit Supervisor agreed that the four amounts were misstated on the schedule.

- For one of 18 taxpayers tested (6%), the schedule showed the amount in the "Difference to Taxpayer" column as $402.68, but our testwork revealed that the department had not made the payment. The Tax Audit Supervisor stated that the $402.68 was not paid to the debtor because the claim for refund was accidentally batched and filed after the offset was issued to the claimant; the taxpayer was paid $13.10 of interest on the $402.68 balance because of the delay.

Report of Refunds Paid Without Debt Offset

Section 67-1-1808(i)(1), *Tennessee Code Annotated*, states,

> On an annual basis, the department of revenue shall submit to the following claimants a list of taxpayers for the previous year who filed claims for refunds and received such refund in the amount of two hundred ($200) or more and for which no debts were reported . . . (A) Department of human services; (B) Department of labor and workforce development; (C) Bureau of TennCare; (D) Tennessee student assistance corporation; (E) Administrative office of the courts; and (F) Attorney general and reporter.

The state claimants who receive the report from the Department of Revenue are supposed to follow up to determine if a named taxpayer owed a debt to the state claimant as of the date of the claim for refund, and if so, the state claimant should notify the Department of Revenue of the name of the debtor, the amount of the debt, and the date on which the debt was incurred.

To evaluate the department's compliance with the second major requirement of the law, we obtained and reviewed the department's 2011 and 2010 "Report of Refunds Paid Without Offset," which were prepared by Audit Division staff to comply with the above requirement. We found the following:

- The department did not send the 2010 report, which included refunds paid for the period July 1 through December 31, 2010, to the designated state claimants until January 25, 2012. The late distribution of the report to the state claimants could lessen the possibility of collecting any debts identified by the state claimants based on their verification of the report.

  The Tax Audit Manager stated that the department faced many problems in creating and sending the listing timely. The challenges included creating forms, changing their database to accommodate the new process, processing refund claims related to flood victims, determining what information would be of value to other agencies, and obtaining approval from department management for the format to be used.

- In our review of the 2011 report, we found that for one of 60 refund claims tested (2%), the supporting documentation did not include a Report of Debts from the taxpayer. Also, in our review of the 2010 report, we found that for 2 of 60 refund claims tested (3%), the supporting documentation did not include a Report of Debts from the taxpayer. In all of these cases, the taxpayers requested refunds of more than $200. The Tax Audit Supervisor stated that the reports could not be located due to issues with the department's filing system. He also stated that although the reports could not be found, the database indicated that a Report of Debts had been filled out by the taxpayers for the claims. However, retention of supporting documentation is essential for adequate internal control.

The Department of Revenue's Audit Division failed to ensure compliance with all requirements of Chapter 1113 of the *Public Acts of 2010*, thereby decreasing the effectiveness of the law, the intent of which is to ensure that tax refunds are properly offset with the debts owed to state claimants.

Recommendation

In compiling information to document the offsets, staff in the Audit Division should ensure that the information included on the supporting schedule accurately reflects all of the relevant information. In addition, the annual reports that are required to be sent to state claimants should be sent timely to enhance the possibility of collection of any debts that are identified by the state claimants.

The Commissioner of Revenue should ensure that a risk-based review of the department's existing policies and procedures for complying with the requirements of Chapter 1113 of the *Public Acts of 2010* is performed. Any new policies and procedures that are implemented after the review should establish an adequate control environment that is

communicated effectively to departmental personnel, and the Division of Internal Audit should monitor the compliance process regularly.

Management's Comment

We concur. The department agrees that written notices were not provided to the first taxpayers whose refunds had been offset. However, each taxpayer was aware of the action, as the debts offset were for court costs which had been disclosed to Revenue by the taxpayers. Additionally, the department has updated procedures to ensure that a written confirmation is sent to each taxpayer whose refund is offset.

The distribution of the 2010 report to claimant agencies was not completed timely, but the 2011 report was distributed on time. Our filing system for retaining income tax refund source documents was changed in July 2012, and this change has improved the department's ability to locate source documentation. As with any new statutory requirement, procedures and reports relative to offsets were initially developed and implemented and are undergoing continual evaluation and improvement.

REVENUE RECOVERED RELATIVE TO THE COST OF IMPLEMENTATION AND MAINTENANCE OF THE LAW'S PROVISIONS

As part of *Tennessee Code Annotated*, Section 67-1-1808(k), we were also tasked with evaluating the amount of revenue recovered relative to the cost of implementation and maintenance of the law's provisions. We interviewed key departmental personnel and staff at the designated state claimants to obtain information about the revenues recovered from application of the offset provision and the expenditures incurred to implement and maintain the offset process established by the law.

Through our interviews, we determined that revenue recovered by the Department of Revenue through refunds offset was termed "actual revenue recovered." For this evaluation, the debt identified by the designated state claimants will be referred to as "potential revenue."

At the time of our inquiry near the beginning of the audit, the department did not have a method in place to track expenditures related to compliance with Chapter 1113. After our inquiry, the department calculated an estimate of the expenditures incurred by the department to administer the statute for the period July 1, 2010, through April 17, 2012. The schedule which it provided allocated estimated hours of management and staff to several line items (e.g., form development, database changes, performing offsets - initial claims, performing offsets - later claims, and develop annual report). The total hours estimated for each individual were multiplied by the average hourly rate for the classification to determine the total estimate. The total of the estimated expenditures on the worksheet was $20,663.00. Based on our inquiries with staff at the designated state claimants, the claimants did not track expenditures related to compliance. Therefore, we were unable to estimate these expenditures.

Based on our review of supporting documentation, we determined that the department had "actual recovered revenue" in the form of offsets of tax refunds totaling $43,435.06 for calendar years 2011 and 2010. In addition, the designated state claimants found that taxpayers identified on the "Report of Refunds Paid Without Offset" were refunded $31,437.98, which should have been retained by the state because of debts owed to the state but not reported by the taxpayer. We compared the revenues and expenditures in the table below.

Actual revenue recovered from offsets	$43,435.06
Potential revenue based on information from state claimants	31,437.98
Total	74,873.04
Less estimated expenditures for implementation and maintenance	20,663.00
Net projected benefit to the state	$54,210.04

We would like to note that of the $43,435.06 collected by the department, $35,283.87 was related to the Unauthorized Substance tax, which was declared unconstitutional and resulted in taxpayers filing for refunds for monies paid to comply with the tax. According to the Tax Audit Manager, the department paid 322 refunds related to the Unauthorized Substance tax in 2010, 68 refunds in 2011, and 8 refunds in 2012. If the current trend of refund requests continues, much of the "actual revenue recovered" from offsets against refunds will decline in subsequent years because the refund requests will decline for this particular tax.

As part of our planning process, we reviewed the Fiscal Note related to the original proposed legislation, which estimated the revenues and expenditures for Chapter 1113 of the *Public Acts of 2010* at the time of passage. The fiscal note estimated that revenue would recur in the amount of $100,000 and estimated a one-time expenditure amount of $12,000 and recurring annual expenditures of $200,000 to fund three additional positions at the department ($120,000 for salaries, $60,000 for benefits, and $20,000 for other expenses). Based on the actual revenue recovered and potential revenue amounts, the recurring revenue was overstated in the fiscal note. Based on the estimated expenditure information provided by the department, the estimated recurring expenditures amount in the fiscal note was significantly overstated.

OBSERVATION AND COMMENT

NO POLICIES AND PROCEDURES OVER THE HEARINGS PROCESS FOR TAXPAYERS APPEALING AN OFFSET

Based on our discussions with the Tax Audit Manager, the department has not developed policies and procedures to govern the hearings process for taxpayers who request to appeal a tax

refund offset. The offset of debt against taxpayers' tax refund is required by Chapter 1113 of the *Public Acts of 2010*. Section 67-1-1808(g)(1)(B), *Tennessee Code Annotated*, states:

> Any debtor who desires a hearing shall submit to the department of revenue a written request for a hearing within twenty (20) days of receipt of the notice [of the state claimant's intent to set off all or part of the tax refund to pay the debt] provided in subdivision (f)(3). If a hearing is requested, then it shall be held by the commissioner of revenue or the commissioner's designee as provided in the Uniform Administrative Procedures Act, compiled in title 4, chapter 5. The commissioner may request that an administrative judge or hearing officer employed in the office of the secretary of state conduct the hearing as provided in the Uniform Administrative Procedures Act, compiled in title 4, chapter 5.

As noted above, the Commissioner of Revenue is integral to the entire hearing process. We discussed the lack of policies and procedures over the hearings process with the Tax Audit Manager, and she stated that the department has not developed any policies and procedures for appeals because no taxpayers have requested to appeal a tax refund offset since the legislation was put into place. In addition, she stated that in most cases taxpayers agreed they owed the debt and wanted the department to offset funds and send any remainder to the taxpayer. However, we believe that having adequate policies and procedures in place is essential for ensuring that should a hearing be requested in the future, it will be conducted in accordance with all relevant legal criteria. In addition, by going through the process of creating proper policies and procedures, the department will be able to create a more effective hearing process.

ISSUES AND RECOMMENDATIONS FOR LEGISLATIVE CONSIDERATION

When evaluating the effectiveness of Chapter 1113 of the *Public Acts of 2010*, it is important to not only review what has resulted from the current legislation but also to determine if changes could be made to the existing legislation that could result in increased effectiveness. We think the current legislation has two deficiencies:

- Because the Department of Revenue initiates refunds based on self-reporting from taxpayers that no debts are owed, tax refunds are sent to taxpayers before the offset process is completed in the case of taxpayers listed on the "Report of Refunds Paid Without Offset." As a result, in some cases, the state is giving refunds to taxpayers who owe money to state claimants, and the Department of Revenue must then try to seek the return of the money.

- Tax refunds that are generated by the mechanical processing or mechanical mathematical verification process are exempt from the legislation. These types of refunds occur primarily because the taxpayer pays an amount in estimated taxes which exceeds the actual tax liability or because of an erroneous tax payment by the

taxpayer which results in an overpayment. According to department personnel, these represent the majority of tax refunds issued.

The General Assembly may wish to consider how the information for all of the debts owed by taxable entities could best be centralized. We believe that the debts owed to various state claimants should be rightly seen as debts owed to the State of Tennessee as a whole and be administrated on that basis. A centralized database would allow the Department of Revenue to search for any debt owed to the state before any refund is remitted to the taxpayer. This would allow the state to keep monies that are rightfully owed to the state, and the Department of Revenue would gain efficiency by not having to collect monies refunded without proper offset of the debt. As part of its evaluation, the General Assembly should consider how Edison could be used to achieve the desired goal of centralized information. If the necessary information could be set up in some prescribed format statewide, then the Department of Revenue might be able to run an Edison query to determine what debts are owed by whom. This ability should greatly reduce the administrative burden of the Department of Revenue and the designated state claimants and also provide more current information than can be obtained through the current process. We therefore recommend that the legislature empower the Commissioner of Revenue and the Commissioner of Finance and Administration, whose department is responsible for the Edison system, to determine the best possible plan for achieving the centralization of debt information for use in the offset process and establish a date by which they should report back to the legislature.