

12<sup>th</sup> Annual Local Government  
Officials' Conference

April 6 & 7, 2011 Columbus, Ohio

*Local Income Tax Compliance*



The following materials are for educational/demonstration purposes only and are not to be construed or relied upon as legal or tax preparation advice.

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Local Income Tax Compliance  
Agenda

- Payment trends, goals, obstacles, & techniques
- Collection procedures & payment options
- Compliance methods available to municipalities
  - A. Civil litigation
  - B. Criminal litigation



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80/20 Rule

- 80% of accounts pay without special attention
- Collection process is developed with the remaining 20% in mind



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## Goals vs. Obstacles

<ul style="list-style-type: none"> <li>■ Payment in full</li> <li>■ Monthly payment plan</li> <li>■ Recommend legal action</li> <li>■ Uncollectible determination (deceased, incarcerated, etc...)</li> </ul>	<ul style="list-style-type: none"> <li>■ Lack of understanding</li> <li>■ Tax bill low priority</li> <li>■ Poor money managers</li> <li>■ Economy</li> </ul>
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## Techniques / Attitude

- Persistence
- Work together
- Negotiate
- Empathy

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## Collection Procedures

- Series of Letters
- Phone contact
- Education
- Establish payment arrangements
- Payment plan follow-up
- Account recommendation

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## Convenience

- Automated monthly payment plan bills
- Credit card payments accepted
- Online payment option
- Pay-by-phone option


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## Credit Card/Electronic Payment Options

<ul style="list-style-type: none"> <li>■ Benefits           <ul style="list-style-type: none"> <li><input type="checkbox"/> Immediate \$ in hand</li> <li><input type="checkbox"/> Eliminates further follow-up costs               <ul style="list-style-type: none"> <li>■ Mailings</li> <li>■ Collector time</li> </ul> </li> <li><input type="checkbox"/> Move on to the next account</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Disadvantage           <ul style="list-style-type: none"> <li><input type="checkbox"/> Cost involved to city</li> </ul> </li> <li>■ Statistics           <ul style="list-style-type: none"> <li><input type="checkbox"/> Credit card</li> <li><input type="checkbox"/> ePayment</li> <li><input type="checkbox"/> eFile</li> </ul> </li> </ul>
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## Unsuccessful Efforts Which Require Further Action

- Complete failure to respond
- Refusal to pay
- Failure to Comply With Promised Payment Arrangements
- Payment Arrangements Are Insufficient to Pay in Full within the Statute of Limitations Period
- Bankruptcy
- Death – insufficient assets


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## Civil Litigation

- **Small Claims**
  - Claims under \$3,000.01 (exclusive of interest & costs)
  - State law allows non-attorney employees of political subdivisions to commence small claims actions to recover taxes (ORC 1925.04(B))
  - Faster and usually less costly than traditional civil suits
  - All cases set for a trial/hearing
  - Judgment obtained either by default, agreement or on evidence of liability
  - Drawback: No discovery allowable

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## Civil Litigation

- **Straight Civil Suits**
  - Required when amount in controversy is more than \$3,000
  - Required if either party will use discovery

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## Civil Litigation

- **Straight Civil Suits**
  - Corporations and LLC's must use an attorney in order to ask questions of any witness, file motions, or engage in other acts of advocacy
  - CPA's and enrolled agents cannot represent taxpayers
  - Typically a trial is not held unless amount is contested
  - Judgment can be entered by default, agreement, motion, or trial
  - Withholding accounts: file against business and against responsible officers/employees when ordinance allows

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## Judgment

- You have judgment. Now what?
  - Debtors exam
  - Wage attachment
  - Bank attachment
  - Asset attachment
  - Lien

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## Foreclosure

- Judgment lien is a “blanket lien”
- Attaches to any real property owned by your debtor
- Foreclosure against property will include judgment lien
- How to respond to foreclosure complaints
- Payment from sheriff’s sales

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## Criminal Prosecution

- Failure to file and/or pay are criminal violations
- Typically first degree misdemeanors
- Fines and jail time possible if guilty
- Know your court: guilty of failure to file/pay doesn't necessarily equal tax paid

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Questions?



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