

Self Collection of Local Taxes

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Authority for Self Collection

- 1996 Act (amended in 1998) authorizes cities and counties to collect and enforce local taxes
- Cities and counties authorized to contract with private company to perform collection services under specific regulations
- Rules, regulations, procedures used by local governments “shall be consistent” with rules adopted by the Alabama Department of Revenue (ADOR) for the similar state tax
- Previously adopted local laws that conflict were preserved
- Local administrative fee capped at 3%

State Collection Revised

- 1998 Act also revised terms of collection by ADOR
 - Biweekly deposits to state comptroller
 - Limit of 3 days for comptroller to transfer funds to local governments
 - Limitation on administrative fee to include determination of “actual costs”
- Locals required to notify state of rate changes within 30 days
- State required to collect and post tax rates and levies of all localities
- Small businesses allowed to make quarterly payments

Common Tax Reporting Form

- ADOR developed reporting forms to be used by businesses filing local taxes collected by the state
- ADOR developed web-based remittance program
- Committee of six local tax collectors developed forms to be used by all self-collecting cities and counties
 - Included comment period for businesses
 - Form must be used by cities and counties “without material variation”
- Common web-based program has developed for self-collectors and those collected by private companies

Common Audit Procedures

- Business community expressed serious concerns about audit procedures, restrictions and appeals process
- 1998 Act established committee of local tax collectors which developed common audit procedures manual
- Business community reviewed and approved procedures
- Once established, the procedures must be utilized by all self-collecting cities and counties as well as all private companies utilized by cities and counties

Audit Requirements; Restrictions

- Private companies prohibited from auditing on “commission” basis on behalf of cities and counties
- Cities and counties cannot charge business for audit expense
- Contract period between local governments and private companies limited to no more than three (3) years
- Private auditors prohibited from utilizing audit information to secure business from other cities and counties
- Audits conducted according to the Alabama Taxpayer Bill of Rights and Uniform Revenue Procedures Act

Audit Requirements; Restrictions

- Specific limitations on repeat audits on individual businesses within a three (3) year period
- At initial contact with business, private company must disclose and then audit for all its city and county clients
- Private company which secures contract with a different city or county cannot return to a specific business for one year
- Private company must provide ADOR annual report of all auditing clients, which posted on web
- Alabama Local Tax Institute of Standards and Training established to create certification process for private auditors

Initial Role of ALTIST

- Alabama Local Tax Institute of Standards and Training (ALTIST) established to provide assurance of quality of private audits and qualifications of private auditors
- Board composed of six local collectors – three city appointees and three county appointees
- Developed minimum requirements for Examiner Certification Program for private auditors to include
 - 2 years governmental auditing or accounting degree
 - Complete certification program and meet continuing education requirements to maintain certification

Audit Requirements; Restrictions

- Initial auditors were given two years to complete Examiner Certification Program
- Those hired thereafter are prohibited from conducting independent audits until they achieve certification
- Each auditing firm must purchase state license
- Each auditor must be bonded and purchase an individual state license after completing certification program
- Audits conducted by unlicensed auditors results in
 - termination of contract with city or county
 - void of any assessments against businesses
 - suspension of license of private audit firm

On-going Role of ALTIST

- ALTIST Board meets quarterly to
 - review content of certification program
 - review licenses held by private auditing firms
 - review content of training program
 - review licenses held by each private auditor
 - review performance of Auburn University, which provides the content of certification program
- ALTIST Board may suspend license and/or may establish new licensing requirements

Benefits of Alabama Experience

- Local control of collection and enforcement procedures and activities
- Vested interest in full collection of all taxes
- “Boots on the ground” in local community
- Enforcement efforts focus exclusively on local taxes
- Additional revenue collected at the local level
- Consistent application of rules, procedures and requirements

What Have We Learned?

- Specific provisions of contracts between locals and private companies should be reviewed from centralized entity
 - The ACCA has reviewed contracts and made suggestions for uniformity
- Distribution of revenue from local taxes
- Liability issues are significant
- Reaction from business community to “private” auditors
- On going strained relationship between private auditors and ADOR

What Have We Learned?

- Competition is good for the soul
- Complicated Alabama's participation in Streamline Sales Tax Project
- Public fully supports collection of all taxes due rather than enactment of additional taxes