



# Report Highlights

## Collection of Unpaid Business Taxes

Louisiana Department of Revenue

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### Why We Conducted This Audit

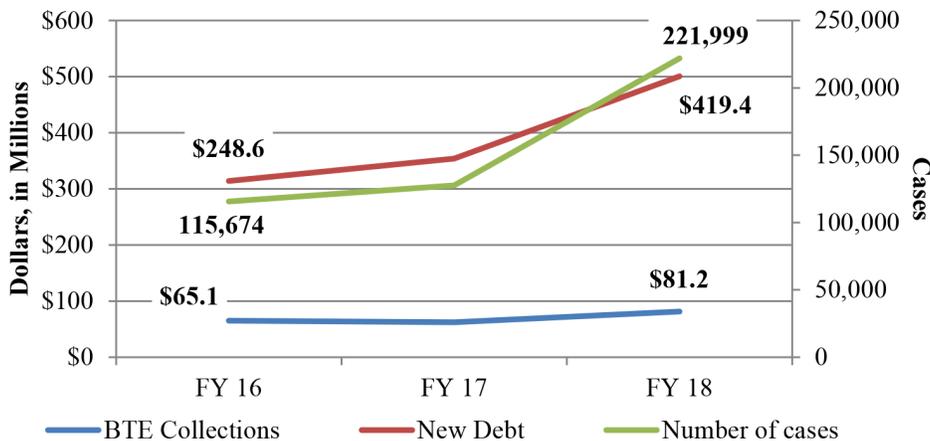
We evaluated the Louisiana Department of Revenue’s (LDR) process for collecting unpaid business taxes, which includes sales taxes; employer withholding taxes; corporate income and franchise taxes; severance taxes; petroleum taxes; and tobacco, alcohol, and liquor taxes. State law gives LDR the legal authority to levy and collect state taxes from individuals and businesses in Louisiana. We focused this audit on business taxes because they make up approximately 90% of the taxes LDR collects. In addition, collecting unpaid taxes owed to the state is important for the state’s overall budget and to ensure that taxpayers are held accountable.

### What We Found

Overall, we found that Business Tax Enforcement division (BTE) collections have increased 24.7%, from \$65.1 million in fiscal year 2016 to \$81.1 million in fiscal year 2018. However, the number of incoming collection cases has increased by 92%, a \$170.8 million increase in new unpaid tax debt since fiscal year 2016. During this same time, BTE staffing levels have decreased by 8.3%. Because of this, LDR needs to strengthen its enforcement process for collecting unpaid business tax debt by prioritizing new incoming collections cases, using data to monitor effectiveness, and make adjustments to taxpayer services as discussed below.

The exhibit below shows the amount of BTE collections, new tax debt amount, and the number of new collections cases from fiscal year 2016 through fiscal year 2018.

**BTE Collections, New Tax Debt, and Number of New Collections Cases  
Fiscal Years (FY) 2016 through 2018**



Source: Prepared by legislative auditor’s staff using data from LDR and its DELTA data system.

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## What We Found (Cont.)

Specifically, we found the following:

- **BTE does not always prioritize collections cases, as recommended by best practices. Although BTE began prioritizing cases in fiscal year 2018, it primarily prioritized older collections cases. According to best practices, several factors affect the collectability of a case, including the debt age, origin, amount, taxpayer assets, account history, and availability of taxpayer contact information.** Effectively prioritizing cases using these factors could help BTE focus on the most collectable cases.
- **LDR could better use data to evaluate its enforcement process. Using data to monitor its performance could help LDR determine whether its process is effective. Currently, LDR cannot link most payments to the enforcement actions that were used, which limits its ability to know which actions are most effective.** Setting measurable program goals and using data to inform management decisions could help LDR focus resources on the actions most likely to increase BTE collections.
- **LDR could increase voluntary compliance by changing the tax letters it sends out to plain language, making its website more user-friendly, and improving its call center.** As shown by best practices, these taxpayer services lead to greater voluntary compliance, which may decrease the amount of collections cases that need to be worked.