

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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SENATE BILL 353

Short Title: DOR Debt Collection Changes-AB.

(Public)

Sponsors: Senator Kerr.

Referred to: Finance.

March 6, 2001

A BILL TO BE ENTITLED

AN ACT TO PROVIDE A PERMANENT MECHANISM FOR THE COLLECTION
OF OUT-OF-STATE TAX DEBTS AND TO MODIFY THE FEE FOR FEDERAL
SETOFF OF STATE TAX DEBTS.

The General Assembly of North Carolina enacts:

SECTION 1. Section 5(a) of S.L. 1999-341, as amended by Section 16 of
S.L. 2000-120, is codified as G.S. 105-268.3 and reads as rewritten:

"**§ 105-268.3. Contract to collect delinquent, out-of-State debts.**

The Secretary of Revenue shall contract ~~during the 1999-2001 fiscal biennium~~ for
the collection of delinquent tax debts owed by nonresidents and foreign entities. A
delinquent tax debt is the amount of tax due as stated in a final notice of assessment
issued to the taxpayer when the taxpayer no longer has the right to contest the debt. To
implement this section, the Secretary may draw funds for the 1999-2000 fiscal year
from net collections that would otherwise be credited to the General Fund under G.S.
105-269.14, enacted by Section 2 of this act. For the 2000-2001 fiscal year, the
Secretary may retain the costs of implementing this section from the amounts collected
pursuant to the contracts authorized by this section.

To recover the costs incurred by the Department in collecting debts under this
section, a collection assistance fee is imposed on each debt collected under this section.
This fee is collectible as part of the debt. The Department must set the amount of the
collection assistance fee based on its actual cost of collection under this section. Before
the Department submits a delinquent tax debt to a contractor for collection, the
Department must notify the taxpayer the debt will be submitted for collection if
payment is not received. The Secretary of Revenue shall report annually to the Revenue
Laws Study Committee on its collections pursuant to this ~~contract during the biennium-~~
section."

SECTION 2. Section 6 of S.L. 1999-341, as amended by Section 17 of S.L.
2000-120, reads as rewritten:

1 "Section 6. The Department of Revenue shall conduct a study to identify and
2 evaluate proposals for more efficient collection of taxes, including using electronic
3 commerce and other technology to increase efficiency. The study shall include an
4 analysis of the most efficient tax collection methods used in other states. The State
5 Controller shall cooperate with the Department of Revenue in this study. The
6 Department shall report the results of its study, including findings, recommendations,
7 and estimated revenue gains of each recommendation, to the Revenue Laws Study
8 Committee by May 1, 2000. To implement this section, the Secretary of Revenue may
9 draw up to fifty thousand dollars (\$50,000) for the 1999-2000 fiscal year from net
10 collections that would otherwise be credited to the General Fund under G.S.
11 105-269.14, enacted by Section 2 of this act. To implement the recommendations of this
12 study, the Secretary may enter into a performance-based contract and may withhold
13 from ~~the revenue collected pursuant to Section 5 of this act~~ collections under Article 4
14 of Chapter 105 of the General Statutes in the 2001-2003 fiscal biennium the amount
15 needed to obtain assistance in developing a request for proposal for the performance-
16 based contract."

17 **SECTION 3.** G.S. 105A-13(b) reads as rewritten:

18 "(b) Federal Setoff. – A collection assistance fee ~~of fifteen dollars (\$15.00)~~ applies
19 to a setoff made by the United States Department of the Treasury to recover tax owed to
20 North Carolina. The amount of the fee is the amount the United States Department of
21 the Treasury charges for setoff plus five dollars (\$5.00) to cover administrative costs of
22 the Department of Revenue. The Department of Revenue must add the fee to the
23 amount of the tax liability submitted to the United States Department of the Treasury for
24 setoff. The Department of Revenue must collect the fee as part of the debt and retain it.
25 If a federal setoff covers only part of the tax due, the collection assistance fee has
26 priority over the tax due."

27 **SECTION 4.** This act becomes effective July 1, 2001.