

**RECOMMENDATION:** Provide a tax clearance requirement for all state vendors and contractors and permit state departments and agencies to "garnish" payment to vendors and contractors doing business with the state and who also have an adjudicated delinquent account receivable in favor of the state

Summary Description/Nature of Change	Key/Implementation Responsibilities	Need	Action Needed	Benefit/Saving	Done/ Study
Provide a tax clearance requirement for all state vendors and contractors and permit state departments and agencies to "garnish" payment to vendors and contractors doing business with the state and who also have an adjudicated delinquent account receivable in favor of the state	Dept. of Revenue	LA must find more efficient ways to collect state debt. A paradox has existed when it comes to transactions involving contracted services. Vendors are paid for goods and services delivered but some of those vendors owe money to government customers, for various taxes, fines, and fees. Databases that track payments owed and payments due to the same vendor are maintained separately by a host of agencies, making it difficult to stay on top of who owes what.	Propose legislation expanding the current tax clearance program to apply to all persons and businesses seeking to enter into a contract to provide goods or services to the state. Legislation would require state agencies to require a tax clearance before awarding contracts for public works projects and/or professional services. Tax clearance would be a prerequisite to entering into contract.	Tax clearance prevents persons or businesses seeking license or permits to conduct certain activities in the state from receiving the license or permit until the applicant has filed all required tax returns and has paid all state taxes, penalty, and interest due. Once the state has implemented uniform statewide debt and debtor authentication, the state could create one state-wide web-based system for vendor payment off-set.	As additional IT resources become available, DOR could create an on-line verification system allowing state agencies access to applicant's tax cleared status. Steps must be taken to ensure successful implementation. It is imperative that prior to referral to a statewide vendor offset program, state agencies authenticate the identity of the debtor, ensure accuracy of the debt, and provide the debtor with all due process rights to contest debt.