

ADVISORY GROUP ON

Elimination of Duplicative and Non-Essential Services

PROPOSAL #:

AGDNES #16

SUBJECT: DOR: Clearance/Offset for State Vendors & Contractors

DATE ADOPTED BY ADVISORY GROUP: 11/02/09; confirmed on 11/09/09

COMMISSION ACTION: AMENDED / ADOPTED

DATE: November 10, 2009

RECOMMENDATION #: 71

**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 a final judgment as to an 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 a final judgment as to an account receivable in favor of the state.	Dept. of Revenue. Legislation.	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.	Legislation	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.

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