

LOUISIANA
DEPARTMENT *of* REVENUE

Tax Administration Group II

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Group II

- Taxpayer Compliance – Income
- Taxpayer Compliance – SSEW
- Criminal Investigations

Taxpayer Compliance - Income

- **Director Dawn Bankston**
- Taxes: Individual Income, Corporate Income, Franchise, Fiduciary and Composite Partnership
- Primary Duties:
 - Review returns for compliance and accuracy prior to issuance of bill or refund
 - Tax Credit Registry
 - Credit Caps
 - Discovery initiatives utilizing 3rd party data to detect and assess for non-compliance

Processing Statistics

IIT & CIFT returns by filing method FYE 18:

Tax Type	# Paper Returns	# Electronic Returns	Total # Returns
Individual Income	297,682	1,903,064 (86%)	2,200,746
Corporate Income & Franchise	83,706	92,490 (52%)	176,196

IIT & CIFT refunds issued within 30/90 days FYE 18:

Tax Type	% Refunds <30 days	% Refunds <60 days	% Refunds <90 days
Individual Income	74.4%	94.2%	96.9%
Corporate Income & Franchise	64.4%	74.9%	78.4%

Taxpayer Compliance - SSEW

- **Director Kelli Jumper**
- Taxes: Sales, Severance, Excise, Withholding
- Primary Duties:
 - Review returns for compliance and accuracy prior to issuance of bill or refund.
 - Determines certified amount of Historic Structures Tax Credit.
 - Bond and License processes for Tobacco, Motor Fuels and Alcohol.
 - Processes rebates for various incentives such as Enterprise Zone, Quality Jobs and sales tax refund requests.

Louisiana Rehabilitation of Historic Structures Tax Credit

- Department issued a Notice of Intent (NOI) proposing to adopt a rule relative to the Historic Rehabilitation Tax Credit.
- Public Hearing was held on September 24, 2018.
- LDR is currently incorporating the procedures from the NOI; essentially taking long standing Revenue Information Bulletin and codifying it into regulation.
- Included in the proposed rule:
 - Imposition of a tax credit transfer fee of \$200;
 - Establishes an internal appeal process for denied expenditures;
 - Provides for a reporting requirement when aggregate payments made to a single payee are equal to or greater than \$100,000.

Processing Statistics

FY 2018

Type	Issued/Certified
Sales Rebates	\$34,029,230
Income Tax Rebates	\$90,758,778
Historic Structures	\$134,483,088
Oil & Gas Certifications	6,561
IFTA Decals	70,966

Criminal Investigations

- **Director Barry Kelly**
- Taxes: Primarily Individual Income, Sales & Use Tax, and Withholding
- Primary Duties:
 - Review returns to detect and stop fraudulent refunds from being issued.
 - Investigate tax payer and tax preparer fraud.
 - Receive and investigate tax fraud tips from the public.
 - Refer for prosecution when warranted.

Fraud Manager

- Information gathered from LDR, other states, Social Security Administration, etc.
- Taxpayer is given a score. Scored on:
 - #1 - Actual taxpayer filed the return.
 - #2 - Information contained on the return.
- If flags are not generated the return processes as normal.
- If a determination is made that potential fraud exists, a letter is issued to the taxpayer to verify their identity.

Fraud Manager

- Identity Verification
 - Fraud quiz:
 - Can be taken online; or
 - Taxpayer can call the interactive voice response line.
- Once identity can be verified the return processes as normal.
- If identity cannot be verified – documentation is requested from the taxpayer to verify their identity.

Tax Fraud Examples

- Identity thief filed a tax refund in your name and received a refund.
- CPA filed his families tax return correctly, then amended the returns without the taxpayers knowledge. Refunds were sent directly to the CPA.
- Schedule C Losses – CID requested documentation, documentation submitted included fictitious invoices. Stopped refund before it was generated.
- Individual amended his and his family's tax returns. Started out in small increments then gradually increased over time.

Tax Preparer Fraud

- Investigate tax preparers in an effort to increase voluntary compliance.
- Look for questionable filing patterns by tax preparers.
- More taxpayers can be identified; therefore, maximizing efficiency.
- Examples:
 - All clients used the same daycare and claimed the School Readiness Credit.
 - Taxpayer A takes care of taxpayer Bs child, taxpayer B takes care of Taxpayer As child and both claimed Earned Income Tax Credit and Childcare Tax Credit. Both stay-at-home parents.

Tax Preparer Fraud

- Taxpayers are often misled to believe anything can be used as a business expense.
- Schedule C (business losses):
 - \$90,000 worth of income but \$75,000 worth of expenses – they expense anything and everything – food, travel, etc.
 - CID will contact the actual taxpayer and they know nothing about the business and have never owned one.
 - Tax Preparer claims to be able to increase the taxpayers refund before they even begin preparing the return or reviewing back-up documentation.
 - Taxpayer signs the return without even reviewing it.

Tax Related Identity Theft

- Fastest growing crime in the country.
- Someone uses your Social Security number to file a tax return claiming a fraudulent refund.
- Taxpayer is sometimes unaware it has happened until they file their valid tax return.
- 1st time filers receive a paper check from LDR.

Other Sources

- **Identity Theft Tax Refund Fraud Information Sharing and Analysis Center (ISAC)** – voluntary partnership that includes the IRS, state tax agencies, and industry. The IRS shares information gathered from its Criminal Investigation Division with the participants and as alerts are issued to participating states.
- **Suspicious Filers Exchange (SFE)** – the Federation of Tax Administrators (“FTA”) made the SFE available to participating states in 1996. It provides a method of exchanging suspicious or potentially fraudulent individual income tax information. This shared information assists the participating states to identify fraudulent refund requests and to place blocks on such accounts preventing refunds from being issued.
- **Social Security Administration (SSA)** – Death Master File

Processing Statistics FY 2017 - Current

- Restitution
 - \$461,639
- # of Blocks
 - 8,402
- # of Fraud Detection Intercepts
 - \$31.4M

Group II Initiatives

- CP2000 Assessments
- Fed/State Mismatch
- W2 NonFiler
- Remote Retailer Assessments

CP2000 Assessments

- The IRS determines a taxpayer's income and/or payment information on file with the IRS does not match self-reported information on the taxpayer's return.
- IRS notifies the taxpayer that additional federal income tax is owed and shares the CP2000 adjustments with LDR.
- LDR issues a "*Notice of Adjustment*" and proposed assessment to begin collection activity to piggy-back the IRS adjustment.
- CP2000 adjustments are typically processed twice per year.

Fed/State Mismatch

- LDR compares existing Louisiana returns to federal returns for the same taxpayer and tax period.
- The comparison includes data items such as filing status, adjusted gross income, # of dependents, federal income tax, itemized deductions, etc.
- If differences are identified, LDR issues a “Notice of Adjustment” and a proposed assessment to begin collection activity.

W-2 Non-filer Assessments

- LDR compares W-2s remitted by employers to individual income tax filing records to identify wage earners that received W-2s showing Louisiana wages that did not file an individual income tax return.
- If a return is not located the individual will receive a letter asking them to file a return or provide documentation to explain why they were not required to file a return.
- If a return or explanation is not received, LDR issues proposed assessments to begin collection activity.
- 9,431 letters were mailed to W-2 non-filers this month for the 2014 tax period.

Remote Retailer

- Act 569 of the 2016 Regular Session of the Louisiana Legislature established requirements for remote retailers to start filing annual reports of remote retail sales beginning January 2018.
- Individuals that did not report the appropriate consumer use tax will be notified by letter.
- Businesses in Louisiana that made purchases from a remote retailer should have reported the use tax on a General Sales Tax Return.
- Proposed assessments will be issued to begin collection activity.
- The initial remote retailer project will be initiated after all 2017 extension returns are processed. The first notices are estimated to issue late in the first quarter of 2019.

Processing Statistics

Discovery Assessment and Collections FYE 18:

Project	Assessments	Collections
CP2000	\$ 28,000,008	\$ 22,168,653
RAR	\$ 7,129,917	\$ 8,640,209
Fed/State Mismatch	\$ -	\$ 3,161,391
W2 NonFiler	\$ -	\$ 964,845
Misc. Projects	\$ -	\$ 58,994
	\$ 35,129,925	\$ 34,994,091

Plain Language

- Goals:
 - Connect to our audience by speaking **their** language.
 - Ensure the reader understands the topic being communicated.
 - Make it easier for taxpayers and tax practitioners to read, understand, and use LDR communications.
 - Reduce taxpayer & tax practitioner confusion.

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Post Office Box 201
Baton Rouge, LA 70821-0201

For assistance, you may call (855) 307-3893 or visit our web site at www.revenue.louisiana.gov to contact us via email.

Notice of Adjustment(s) to Your Tax Return THIS IS NOT A BILL

Individual Income

Letter ID: L1234567890
Notice Date: 1/5/2018
Account Number: 1234567-123-600
Tax Period: 12/31/2017

MICKEY and MINNIE MOUSE
1234 FIRST RD
CITY LA 70001-12342

One or more lines on your return have been adjusted. Other lines on your return may have changed as a result of these adjustments. Please compare the amount on your return with the adjusted amount(s) shown below.

Return Received Date: 27-Dec-2017

Line Item on Return	Before Adjustment	Adjusted	Reason for Adjustment
Filing Status	4. Head of Household	4. Head of Household	
7. Federal Adj Gross Income	\$24,493.00	\$24,493.00	
11. Louisiana Income Tax	\$505.00	\$505.00	
12. Education Credit Dependents	1	1	
Education Credit Amount	\$18.00	\$0.00	Education Credit has been adjusted to the max of \$18 or a tuition deduction was claimed.
13. Other Nonrefundable Priority 1 Credits	\$72.00	\$72.00	
14. Tax Liability After Nonrefundable Priority 1 Credits	\$415.00	\$433.00	Tax Liability after Nonrefundable Priority 1 credits has been corrected.
20. Total Refundable Priority 2 Credits	\$55.00	\$55.00	

MICKEY and MINNIE MOUSE
1234 FIRST RD
CITY LA 70001-1234

Date of Notice:	September 25, 2018
Letter ID:	L1234567890
Account ID:	1234567-123-600
Tax Type:	Individual Income
Tax Period:	12/31/2017

THIS IS NOT A BILL

Why are you getting this letter?

We have adjusted one or more lines on your return. The attached ***Notice of Adjustment(s) to Your Tax Return*** is a comparison of your originally filed return to your adjusted/changed return.

What does it mean to you?

The change will mean that you will be getting:

- a refund amount different than you expected, **or**
- a bill for a balance due different than you expected.

What should you do?

Compare the amounts you reported with the amounts we computed as shown on the attached ***Notice of Adjustment(s) to Your Tax Return*** to review which line items were adjusted.

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Notice of Adjustment(s) to Your Tax Return THIS IS NOT A BILL

Individual Income

Letter ID: L1234567890
 Notice Date: 7/19/2018
 Account Number: 1234567-123-600
 Tax Period: 12/31/2017

The notice of adjustment is a comparison of your originally filed return to your adjusted return. One or more lines on your return have been adjusted. Other lines on your return may have changed as a result of these adjustments. Please compare the amount on your return with the adjusted amount(s) shown below.

Return Received Date: 16-Apr-2018

Line Item on Return	As Filed	After Adjustment	Reason for Adjustment
Filing Status	2 Married Filing Jointly	2 Married Filing Jointly	
7. Federal Adj Gross Income	\$290,325.00	\$290,325.00	
8 Louisiana Adjusted Income	\$5,031.00	\$5,031.00	
12 Louisiana Income Tax	\$61.00	\$61.00	
14 Tax Liability After Nonrefundable Priority 1 Credits	\$61.00	\$61.00	
20 Tax Liability After Refundable Priority 2 Credits	\$61.00	\$61.00	
25 Total Income Tax and Consumer Use Tax	\$61.00	\$61.00	
26 Overpayment of Refundable Priority 2 Credits	\$0.00	\$0.00	
27 Refundable Priority 4 Credits	\$0.00	\$0.00	
28 Louisiana Income Tax Withheld for 2017	\$1,366.00	\$0.00	Louisiana Income Tax Withheld has been adjusted based on available information

Solar Credits

- Act 131 of the 2015 Regular Session
- Act 413 of the 2017 Regular Session
- Act 91 of the 2018 Regular Session

Solar Tax Credits

- **Act 131 of the 2015 Regular Session**
 - Imposed credit caps, FY16 \$10M, FY 17 \$10M, FY 18 \$5M.
 - First-come, first- served based on date claimed.
 - Retroactive provision for taxpayers that installed prior to Act 131 by making them subject to the cap limits that were not in place when they purchased their system.
 - Cap for the entire program was exhausted 03/16/16.
 - Declared unconstitutional by the trial court and oral arguments before the Supreme Court will be in October.

Solar Tax Credits

- **Act 413 of the 2017 Regular Session**
 - Provided an exception to Act 131 credit caps.
 - Full payment of the credit if taxpayer met certain requirements.
 - \$5M cap per fiscal year credit cap.
 - Full payment issued in three equal installments over three fiscal years beginning with fiscal year 2017-2018 and ending with fiscal year 2019-2020.

Fiscal Year	Credit Caps
2017-2018	\$5 million
2018-2019	\$5 million
2019-2020	\$5 million
2020-2021	Any remaining balance of qualified and eligible claims which have not yet been issued.

Solar Tax Credits

- **Act 91 of the 2018 Regular Session**
 - Refunded filing fees taxpayers paid to the Board of Tax Appeals for qualified claims.
 - Qualified claims include only those that qualify for payment under Act 413 that do not include other justiciable issues in addition to the solar energy system credit.
 - Per the Act, Secretary shall refund the fees as an additional amount to the appellant's second installment payment.
 - Second installments, including the refund of the filing fees, have been issued.

Solar Tax Credits FAQs

Solar Credit Frequently Asked Questions

1. Who is eligible to receive a solar energy system tax credit under Act 413 of the 2017 Regular Session of the Louisiana Legislature?
2. My solar credit was denied due to the cap, do I need to file a new claim?
3. I filed a claim, but did not receive a letter specifically about the solar energy credit. What do I need to do?
4. I received a letter stating my credit has priority in the Fiscal Year 2017-2018 cap but I have not been paid. What do I do?
5. I purchased a qualifying system that was installed on or before December 31, 2015, but have not filed a claim for the credit. What do I do?
6. How do I file a credit claim under Act 413?
7. Do I have to file the return claiming my credit electronically?
8. What is the deadline to file a claim under Act 413?
9. What supporting documentation is required for a claim to be considered complete?
10. When will the credit be refunded if approved under Act 413?
11. How much money will I get if my credit is approved under Act 413?
12. Will I be paid interest if my claim is approved under Act 413?
13. What is meant by the statement "would have been denied" in Act 413?
14. If I'm contacted to submit additional documentation, where should I send it?
15. Will approved credits be refunded to me if I owe money to LDR?
16. How does Act 413 affect my lawsuit or case filed with the Louisiana Board of Tax Appeals?
17. I have a balance due on my tax return because my solar credit was disallowed due to the original credit cap. Do I have to pay the balance due even though my credit has been approved for payment under Act 413?
18. My claim was originally denied and I filed an appeal with the Board of Tax Appeals. Will I receive a refund of filing fees that I paid to the Board of Tax Appeals?
19. I received or may receive a refund for my solar credit claim. Is my refund taxable?
20. Act 413 of the 2017 Regular Session provided a three or, if necessary, a four year payout schedule. The fourth payment depended on the amount of claims received. Will there be three or four installment payments?
21. On December 18, 2017, the Nineteenth Judicial District Court in Baton Rouge ruled that Act 131 of the 2015 Regular Session was unconstitutional. What does this mean for me?
22. As of January 5, 2017, I have not received my first installment payment. When will I receive it?
23. I received my first installment. The amount was not one-third of the total solar credit claim. Why?

Group II Contact Information

- Taxpayer Compliance Divisions (Income & SSEW)
 - (225)219-2520

- Criminal Investigation Division
 - (225)219-2280

Group II Email Boxes

- Taxpayer Practitioner Refund Inquiry
 - TaxPractitionersRefund.Inquiry@la.gov
- Income Tax Discovery Initiatives (CP2000, RAR, Mismatch, etc.)
 - LDRAITTaxpayerDoc@la.gov
- Tax Credit Registry
 - TaxCredit.Registry@la.gov
- Fraud Mailbox
 - Fraud.mailbox@la.gov



Questions?