

Concrete Measures for Increasing revenues without Increasing Taxes

Within 30 days Make taxpayer Compliance a Reality

Change in Service' s Image

- Service Oriented organization
 - Reinforcement of taxpayers rights.
 - Increased Authority and Visibility of the Taxpayer' s Ombudsman.
 - Increased level of service to compliant taxpayers.
 - Tax Education to the taxpaying Community
 - Timely Issuance of Refunds

Hacienda's obligation with Compliant Taxpayers

- Facilitate the compliance with the tax laws is one of Hacienda's main responsibilities with the taxpaying community.
- Hacienda will reinforce their commitment with the honest and law abiding citizens who meet their obligation on a timely and accurate fashion.
- Our goal "Reduce Taxes and Burden"

Window of Opportunity

- Cases in Process (Non criminal)
 - Establish settlement procedures to bring unresolved cases in Appeals, to a closure.
- Allow taxpayers the opportunity to come forward and get in full compliance.
 - Consider non assertion of discretionary penalties.

Window of Opportunity (Cont.)

- Voluntary Disclosure Program
 - Allows the opportunity for taxpayers who have not paid taxes (withholdings & income) to make a voluntary disclosure, pay the taxes due ,and accrued interest. Penalties are waived as long as they come upfront on a voluntary basis, and there is NOT an open investigation.

Change in Service' s Image (Cont.)

- **Firm Approach with Non Compliant taxpayers**
- **Administrative Actions (Civil)**
 - Timely Collection of unpaid taxes with emphasis on
 - Withholding Agents
 - IVU (Sales Taxes)
 - Income tax
 - Employers
 - Contractors
 - Excise
 - Motor vehicles
- **Criminal Prosecution**
 - Tax Evaders
 - Non Filers
 - Underreporters
 - Fiduciaries
 - Withholding Agents

Use of Technology

- To Identify Potential Non Compliance
 - Match different data bases to identify potential cases to be investigated.
 - Assets Identification.
 - Capital Gains.
 - Compare living standards with taxes reported.
- Increased Level of Service

Enforcement Actions

Short Range

- Unannounced visits to businesses to insure full compliance
- Prompt assessment and enforced action to collect unpaid taxes.
 - Levy to Banks & Receivable Accounts
 - Offset (government contractors)
 - Seizure of Assets
 - Businesses
 - Personal Property
 - Real Property

Prompt Assessment of Balance Due Returns

- Expedite processing of balance due returns and issuance of notices within 30 days from receipt.
 - Notify Balance Due to Taxpayers
 - If unable to pay, allow taxpayer the opportunity to enter into installment agreements
 - Reduce Bureaucracy

Controlled Foreign Corporations

- Improved coordination with IRS
- Proactive participation of income source determination of CFCs.
 - Please move this above proactive and under improved coord. bulletHacienda needs to get involved on this matter since IRS is making determinations which potentially affects Hacienda and there seems to be little involvement on this area.

Further Compliance Measures

Businesses & Employers

- Use of technology to identify taxpayers who are still in business and have not made any deposits during the CURRENT year.
- Conduct COMPLIANCE visits, (not full blown audits) to insure withheld taxes are deposited immediately..
- Proceed with “quick assessments” when appropriate and refer these to the Collection Division for enforcement actions.

Withheld Taxes

- Liability determination and prompt assessment of withheld taxes
 - Increased cash flow and future compliance
- Does not requires highly technical expertise.
- Short Term Results, Lasting Effects in Compliance

TARGET Government Entities

- Traditionally government entities (including municipalities) withhold taxes and do not pay on time.
 - Identify agencies not in compliance and implement an “offset procedures”
 - Withhold amount due to Hacienda prior to making additional disbursements to cover operational expenses.
- Agency Heads, and Mayors, mayors, etc, would be informed the axe is going to fall.

“Close Deal: on Ongoing Audits

- Audit procedures must include a determination as to how the taxes due as result of the audit will be paid prior to closing the case.
 - Traditionally Auditors just conduct the audit, inputs the assessment on the system, do not coordinate with the Collections Division to initiate the Collection process. Many of these assessments expire without being collected.
 - Press for immediate collection of audit assessment.

FORM A Collections Task Force

- Identify resources within the Agency to establish a Collection task force to conduct field visits to perform compliance checks and to collect taxes due.
- Need to do identify available resources within other offices, and provide them a short collections/ compliance training.
- Detail employees from other government agencies to Hacienda.
- The mission-COLLECT TAXES DUE NOW

For Individuals

- Identify current year assessments
 - Prevent the liability to get to a point in which the taxpayer will not be able to pay.
 - **Focus on two most current years** Two most current year.
 - Issue notices inviting taxpayers to either full pay or get an Installment Agreement.
 - Government employees will be offered the opportunity of a payroll deduction agreement. **`we want this, and probably here.**

Individuals (cont.)

- Offer in Compromise
 - Allows delinquent taxpayers the opportunity of a fresh start.
 - Hacienda collects the highest amount the taxpayer has the ability to pay, brings them back in compliance, and commit to stay current for the next five years.
 - This program has been in place for many years but has not been properly utilized.
 - Establish clear guidelines to make this program.
Apply a business approach to the cases.

Closing Agreements

- This is an alternative to solve cases which have been unresolved for a while, mainly those where there is a potential “technical issue” which prevents the transaction from being completed.
- This option could be used to reduce the number of cases in Appeals.

Appeals

- Historically the number of case in Appeals is out of control. Cases sit there for extended period of time waiting for their “day in court”.
- Evaluate the possibility of a “settlement” by way of a “Closing Agreement”.
 - Close the chapter and keep moving.
 - No winners or looser on technical issues.
 - Brings Additional Revenue.

Tax Evasion

- Establish clear guidelines to refer cases to the Tax Evasion Division.
- Task Forces
 - All agencies participate in proceeds from seizures of assets , only if the claim is submitted timely.
 - Determine how is this process currently working, if still in place.

Long Range

(within the first six months)

- Identify human resources available to beef up the Collections Division.
- Lien Filing Procedures
 - Expedite lien filing procedures
 - Protect government's interest expeditiously
 - Seizure and Sale of seized property
 - Increase seizure activity of personal property
 - Prevent pyramiding of taxes
 - Motivate delinquent taxpayers to get back into compliance

Long Range (within the first six months)

- Reestablish the Automated Collection System (TELECOLECT)
- Negociado de Arbitrios
 - IVU implementation requires realignment of resources.