

# Business Closure

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# What is Business Closure?

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- Legislation was adopted giving authority to close the business of a noncompliant taxpayer (Ark. Code Ann. § 26-18-1001)
  
  - A taxpayer is noncompliant if for three (3) periods during any consecutive 24-month period they fail to either
    - 1) report sales, use, or withholding tax in the manner required by law; or
    - 2) remit sales, use, or withholding tax for the reporting period that the tax is due.
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# The Goal - Increased Compliance

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- Taxpayer Education
  - Revenue Enhancement
  - Decline in the growth of tax liabilities owed to the state
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# Business Closure Procedures

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1. Taxpayer notified of delinquency
  2. Business Closure Order issued
  3. Order is hand-delivered by Tax Investigator
  4. Taxpayer has five (5) business days to comply
  5. Taxpayer resolves the order by the 5<sup>th</sup> day or business is closed and bright pink (Sales Tax) and/or yellow (Withholding) signs are posted by the investigator
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# How to Resolve a Business Closure Order

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- ❖ Payment in full of all tax, penalty, and interest
  
  - ❖ Approved payment plan
  
  - ❖ File a protest of the closure order and request an administrative hearing; there are only two valid defenses at the hearing
    - ❖ Taxpayer has proof they have paid the tax
    - ❖ Taxpayer has proof of a valid payment plan
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# Other Resolutions

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- ❖ Taxpayer is an out-of-state company
    - ❖ No jurisdiction outside of Arkansas
  - ❖ Business is closed when the investigator locates them
  - ❖ Bankruptcy
    - ❖ Taxpayer is in an active bankruptcy when the investigator contacts them
    - ❖ Taxpayer files bankruptcy during the 5 days
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# Business Closure Statistics

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Businesses owing at least 6 months debt

Month	# of Accts
Apr 2005	1,710
Jul 2005	1,122
Jul 2006	904
Jul 2007	617
Feb 2008	515
June 2010	650

This is a 70% decrease in the number of accounts with 6 or more months.

- Since July 1, 2004, the total number of debts in accounts receivable has decreased by 20%.
  - The number of accounts added each month averages 700 with 3 or more months due. These are primarily new accounts.
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# Interesting Facts

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★ 34 Tax Investigators across the state

★ Number of closure orders served

★ 2006 – 2,766

★ 2007 – 2,157

★ 2008 – 1,891

★ 2009 – 1,801

★ 2010 – Through May

★ Sales Tax – 600

★ Withholding Tax - 658

★ Number of businesses closed & signs posted

★ 2006 – 90

★ 2007 – 51

★ 2008 – 66

★ 2009 – 68

★ 2010 – Through May

★ Sales Tax – 27

★ Withholding Tax - 2

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# Interesting Facts

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## ★ Delinquent reports collected

- ★ 2006 – 18,875
- ★ 2007 – 11,936
- ★ 2008 – 14,158
- ★ 2009 – 13,890
- ★ 2010 – Through May
  - ★ Sales Tax – 8,274
  - ★ Withholding Tax – 2,671

## ★ Money collected

- ★ 2006 - \$16,688,822.37
  - ★ 2007 - \$10,006,417.99
  - ★ 2008 - \$11,378,558.77
  - ★ 2009 - \$12,085,532.60
  - ★ 2010 – Through May
    - ★ Sales Tax - \$5,754,036.67
    - ★ Withholding Tax - \$1,833,775.22
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