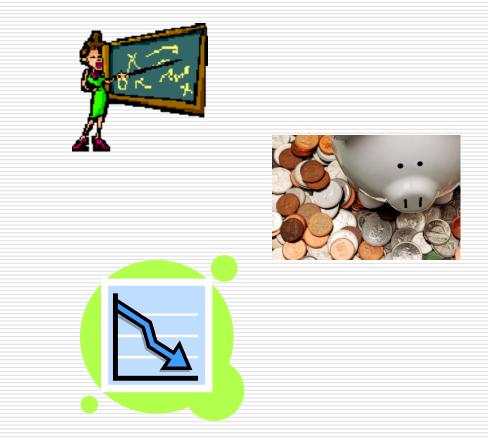
Business Closure

Tom Atchley Arkansas Department of Finance and Administration

What is Business Closure?

- 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.

The Goal - Increased Compliance



- Taxpayer Education
- Revenue Enhancement
- Decline in the growth of tax liabilities owed to the state

Business Closure Procedures

- 1. Taxpayer notified of delinquency
- 2. Business Closure Order issued
- Order is handdelivered by Tax Investigator
- 4. Taxpayer has five (5) business days to comply

5. Taxpayer resolves the order by the 5th day or business is closed and bright pink (Sales Tax) and/or yellow (Withholding) signs are posted by the investigator

How to Resolve a Business Closure Order

- 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

Other Resolutions

- 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

Business Closure Statistics

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.

Interesting Facts

- ★ 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

Interesting Facts

- 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