

House Legislative Oversight Committee

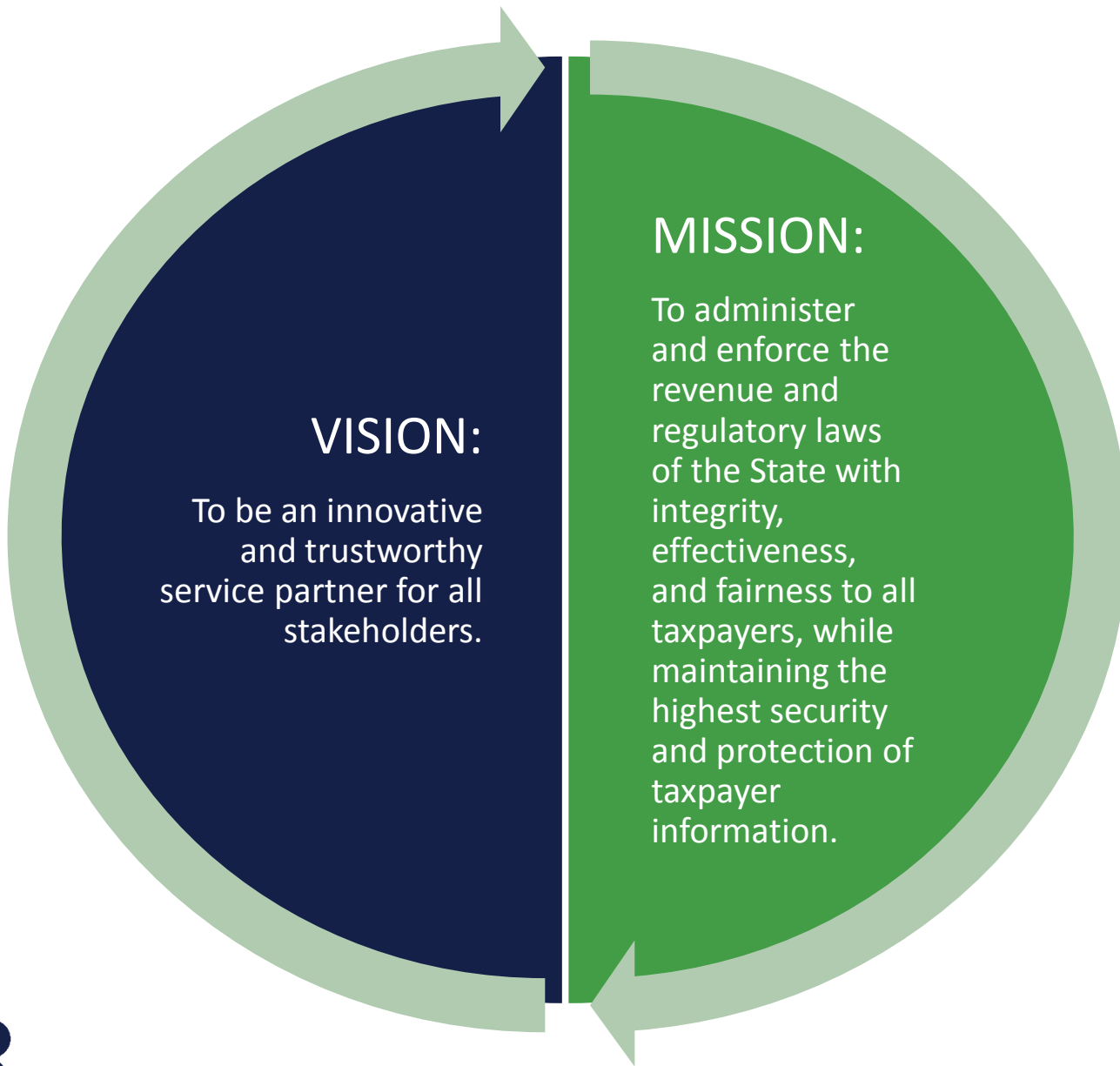
South Carolina Department Of Revenue

July 10, 2018

Director Hartley Powell

Agenda

- Recap of Last Meeting
- Introductions
- Division Overviews
 - Government Services
 - Taxpayer Business Services
 - Security and Information Technology Services
 - Litigation
- Questions



VISION:

To be an innovative and trustworthy service partner for all stakeholders.

MISSION:

To administer and enforce the revenue and regulatory laws of the State with integrity, effectiveness, and fairness to all taxpayers, while maintaining the highest security and protection of taxpayer information.

SCDOR Strategic Goals

1

Fairly administer and enforce the revenue and regulatory laws of the State of South Carolina

2

Ensure taxpayer security by utilizing state-of-the-art technology

3

Maintain a positive customer service experience for all stakeholders

4

Promote and maintain a competent, productive, and diverse workforce

Recommended Law Changes

- 1. Financial Institutions:** Allow SCDOR to participate in the Financial Institution Data Match (FIDM) program.
- 2. Tax Liens:** Allow SCDOR to implement a centralized system of filing and indexing of tax liens.
- 3. Alcohol Beverage Modernization – Festivals:** Allow SCDOR to issue a single permit for all types of alcohol for the entire festival area.
- 4. Alcohol Beverage Modernization – Liability Coverage:** Allow lower insurance liability coverage for government entities protected under the Tort Claims Act.

Recommended Law Changes

- 5. Alcohol Beverage Modernization – Penalties:** Codify SCDOR Penalty Guidelines to ensure the Courts impose consistent penalties.
- 6. Credit for Energy Efficient Vehicles:** Provide clear guidelines to determine tax credit eligibility.
- 7. MarketPlace Facilitator:** Ensure online “marketplace” retailers collect/remit Sales Tax.

Organization



With You Today



Meredith Cleland
Deputy Director
**Government
Services**

37 years with SCDOR
**Graduate of Clemson
University**



Sherrie McTeer
Deputy Director
**Taxpayer &
Business Services**

32 years with SCDOR
**Graduate of
University of South
Carolina**



Mike Sayles
Deputy Director
**Security &
Information
Technology Services**

**36 years information
technology**
**Graduate of Bucknell
University**



Jason Luther
Deputy Director
Litigation

**Joined SCDOR in
2017**
**Graduate of USC Law
School**

Government Services

Government Services

Meredith Cleland

Partner with state and local government officials to facilitate tax compliance

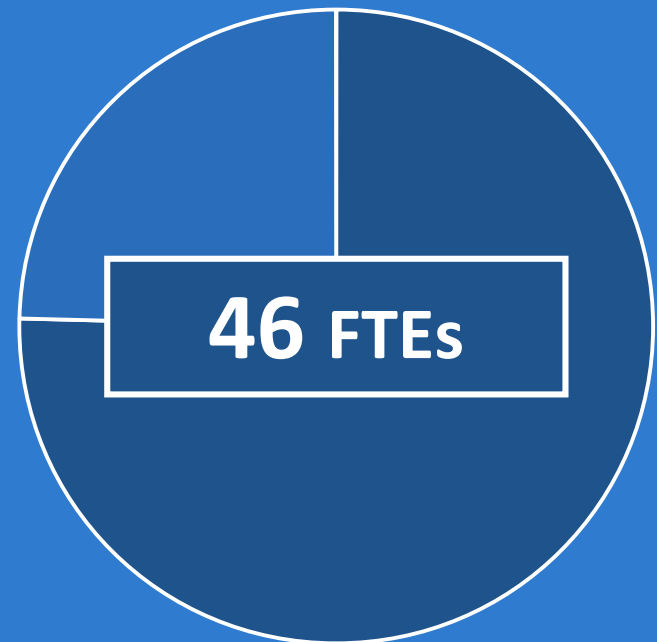
SCDOR Strategic Goals

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Government Services



Legislative Services

Represent

Represent SCDOR before General Assembly
Attend legislative hearings

Monitor

Monitor tax legislation
Analyze tax impact to ensure continued compliance

Support

Support Legislative Council
Support BEA with fiscal impacts
Primary contact for constituent support

Inform

Responsible for informing and implementing all legislative changes

Local Government Services

Continuing Education

30
annual
trainings

- Provide continuing education to county assessors, auditors, treasurers and tax collectors

Local Sales Taxes

73
local sales
taxes

- Serve as the primary liaison to local governments for local sales taxes

Index of Taxpaying Ability

\$1.8B
to schools

- Determine the relative wealth through property tax assessments of each school district to assist in the state funding of schools

Reimbursement

\$1.3B
to counties

- Administer reimbursement programs: manufacturing depreciation, inventories, homestead exemption, and the Tier Program

Property Taxation

Support Local Tax Administration

Property Tax Exemptions

14,000 Approved Exemptions

Manufacturing

4,500 Assessments

Fee in Lieu of Taxation

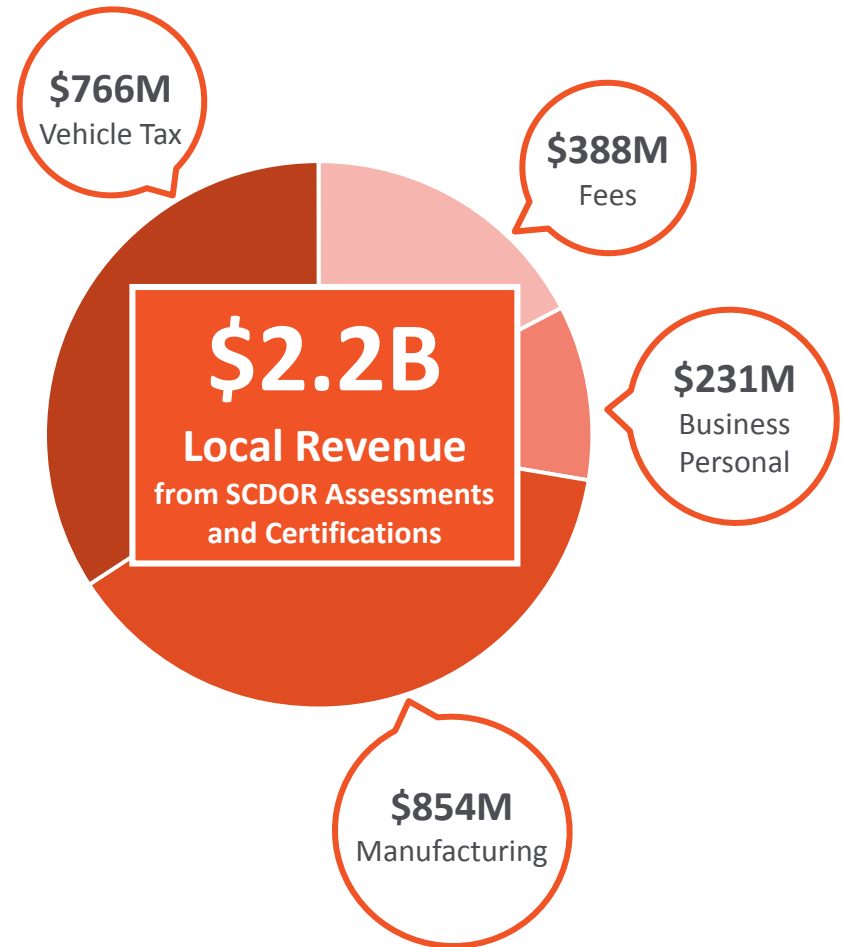
1,400 Fees Certified

Business Personal

385,000 Assessments

Vehicle Valuation

4.5 Million Vehicles Valued



Taxpayer Advocate

Taxpayer Bill of Rights

Facilitate resolution of taxpayer complaints and problems

Certificate of Tax Compliance

Provide evidence that a taxpayer has filed all returns and paid all taxes

Freedom of Information Act

Respond to all FOIA requests

Taxpayer & Business Services

Taxpayer & Business Services

Sherrie McTeer

The largest SCDOR division, responsible for processing and collecting the majority of state taxes

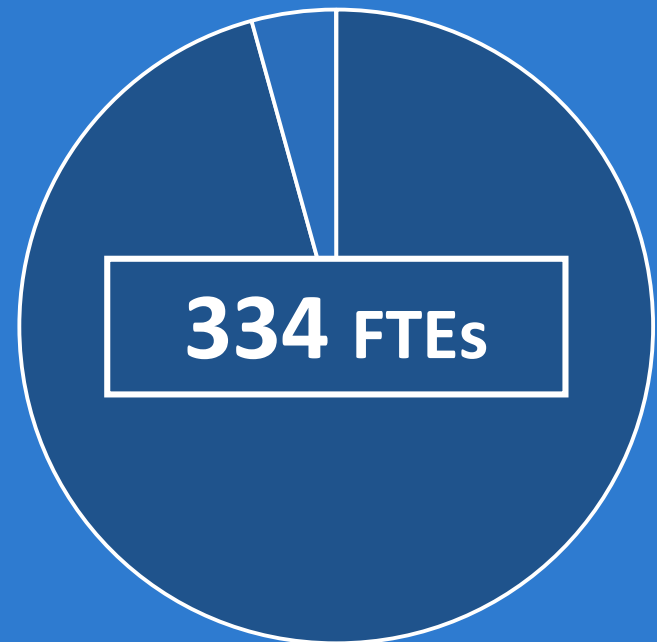
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Taxpayer and Business Services



Business Tax Services

Primary Role

Efficiently and accurately register and process business taxes

- Verify accuracy of tax returns
- Timely post error free returns
- Monitor required filings
- Ensure accurate refunds
- Educate taxpayers
- Provide customer service
- Promote online filing/pay options

Sales Taxes

Sales and Accommodations Tax

Withholding Taxes

Employer withholding of wages

Miscellaneous Taxes

Admissions, Alcohol, Tobacco and other Taxes

Motor Fuel Taxes

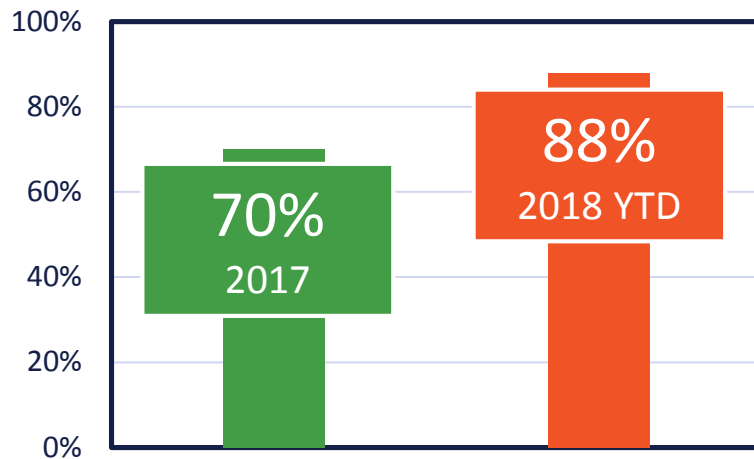
Gasoline, Diesel and Aviation

Income Tax Services

Primary Role

Efficiently and accurately process income taxes, working to detect and prevent fraud and ID theft

Electronic Filing Rates



Individual Income Taxes

2.9 Million Returns Filed

2017

Corporate Taxes

134,000 Returns Filed

2017

Partnership Taxes

68,000 Returns Filed

2017

Fiduciary Taxes

30,000 Returns Filed

2017

Collection Services

Primary Role

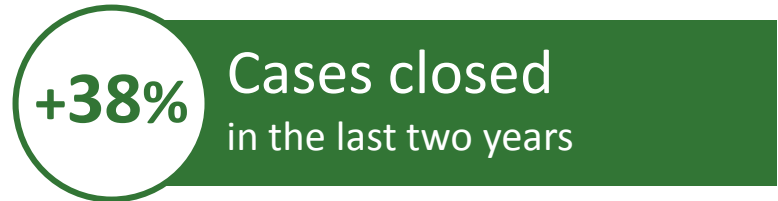
- Collect past due agency receivables

Collection Teams

- Revenue Officers
- Office Collections

Collection Tools

- Taxpayer Assistance
- Pay Plans
- Levies (Bank and Wage)
- Rules and Revocation



Operations Support Services

Primary Role

- Achieve voluntary taxpayer compliance
- Front line point of contact for mail, telephone calls, and document and payment processing

Accomplishments

- 560,000 calls FY18 YTD
- New customer service quality assurance surveys



Integrated Tax Systems Services

Primary Role

- Manage the new, integrated tax system DORWAY and the online taxpayer portal MyDORWAY

Milestones

- Successful implementation
- Consolidation of legacy systems

Challenges

- Continuous system updates to adapt to tax policy changes and taxpayer's needs



MyDORWAY Online Taxpayer Portal

- Personal account to file, pay, and manage South Carolina taxes
- Convenient, accurate, and secure – 24-7 access

Security & Information Technology Services

Security & Information Technology Services

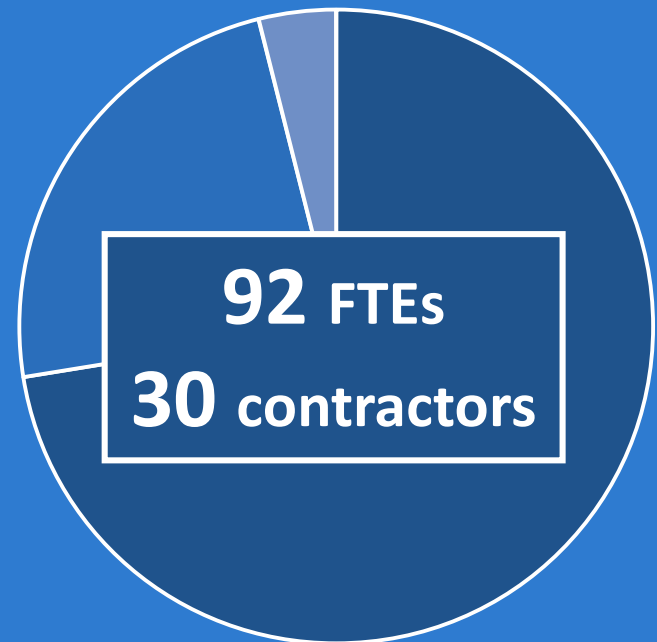
Mike Sayles

Provide leadership and oversight for securing taxpayer information
and manage the technology infrastructure

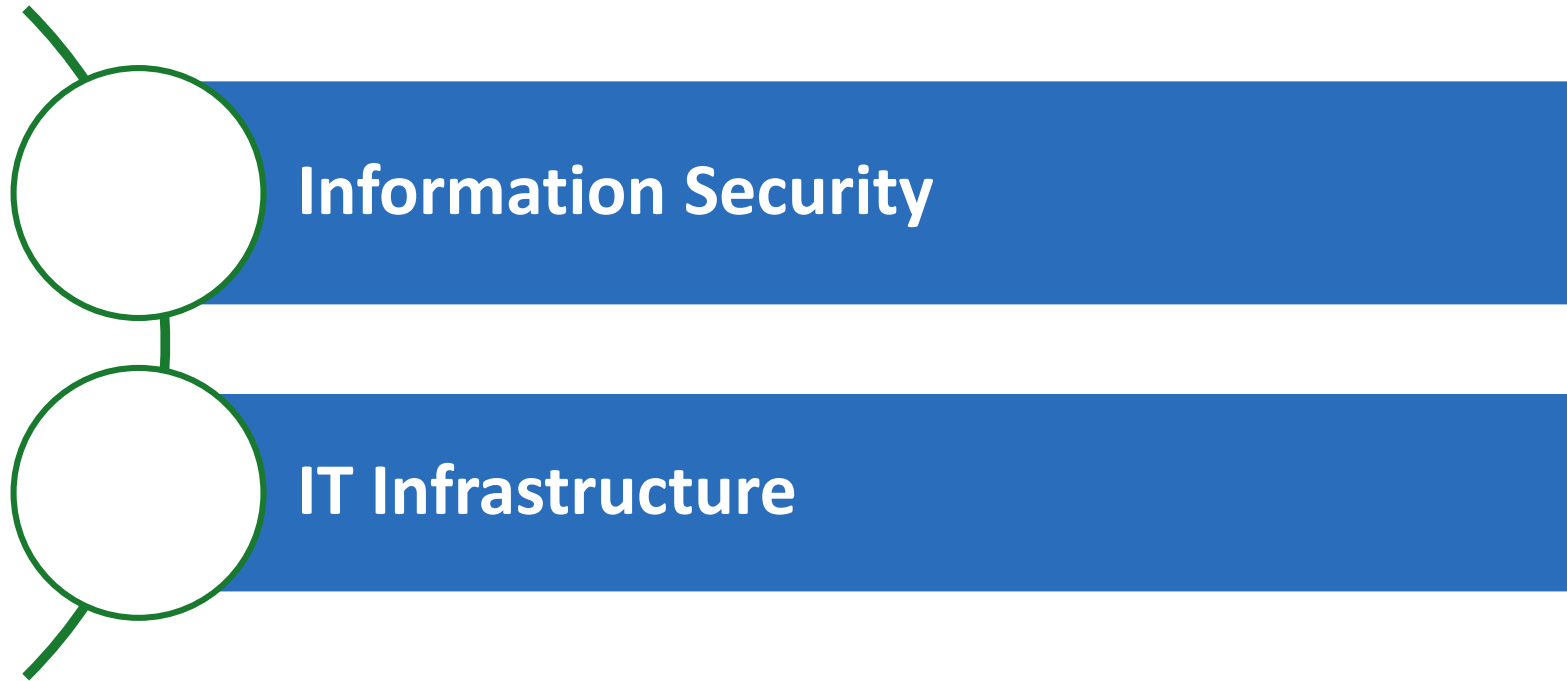
SCDOR Strategic Goals

2

Ensure taxpayer security by
utilizing state-of-the-art
technology



Security & Information Technology Services



Information Security

Security is not negotiable.

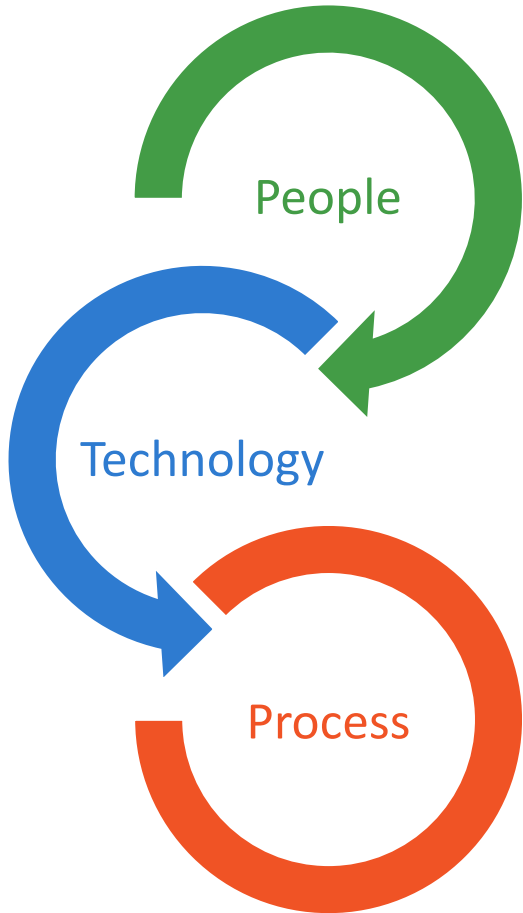
Primary Role

- Protect taxpayer information by focusing on people, technology and process.

Goals

- Zero breaches of taxpayer information
- Prevent defacing or malicious use of SCDOR's public websites
- Adhere to privacy and tax disclosure laws
- World-class security, military-grade in certain vital areas

3-Prongs of Information Security



People: Security is Not Negotiable

- Ensure an agency-wide security culture
- 100% employee completion of security awareness training

Technology: Public and Internal Systems

- Continuously update all technology systems
- Maintain a Disaster Recovery Data Center

Process: Accountability Checkpoints

- Monitor and implement security best practices
- Partner with national and state security experts
- Coordinate annual external audits

External Oversight

- **IRS:** Pub 1075 - Tax Information Security Guidelines
- **Credit Card:** Payment Card Industry Data Security Standards
- **SLED:** Criminal Justice Information System Standards
- **SC DOA:** SC Government Security Standards and SC IT/Security Strategic Plan

2016 IRS Safeguards
assessment exit
debriefing

“The best IRS
Safeguards
assessment
results that we
have ever been
a part of.”

“One of the
most secure
organizations
that we have
ever seen.”

2018 assessments by
two world-class
cybersecurity firms

Challenges

Hacking methods are constantly changing

- Requires continual investment of time and resources

Cloud vs In-House Technology

- Migration to “the cloud” is inevitable – new security challenges

Negotiating and enforcing vendor agreements

- Weak vendor security has been attributed to high-profile breaches

Maintaining security technology workforce

- Small local talent pool, private industry competition, low unemployment, and cloud migration skillset

Litigation

Litigation

Jason Luther

Represent the Department in State and Federal courts and provide legal advice and support to the Department

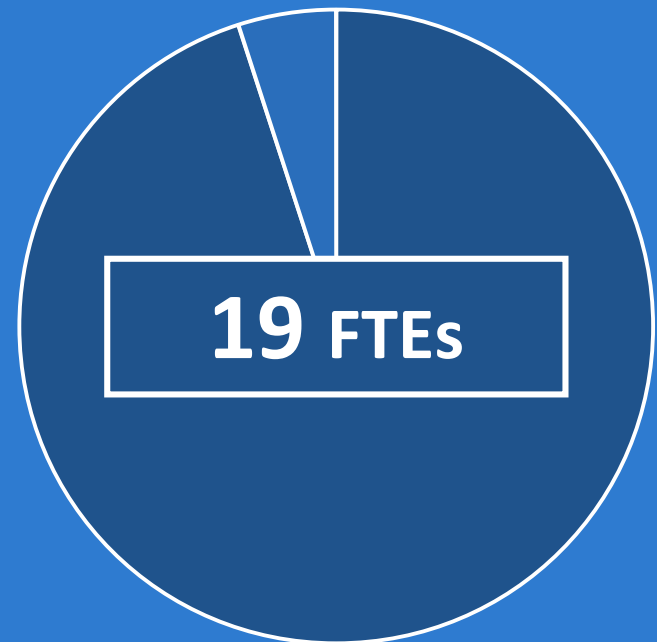
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Litigation



Appeals

Attempt to resolve taxpayer matters without litigation

- Goal: provide taxpayers with an independent review to resolve controversies
- Less formal, costly, and adversarial than a hearing or court proceeding
 - Settlement - “hazards of litigation”

70

Existing appeals on average

Tax & Regulatory Litigation

Taxpayers who want to comply, but disagree with the SCDOR's interpretation of the law

- Goal: To obtain clarity of tax and regulatory laws, thereby increasing voluntary compliance for taxpayers
- 92% cases resolved in less than 18 months
- 75% of active cases involve regulatory compliance matters

Exemplary Cases



GREENVILLE
HEALTH SYSTEM



Total
Wine
& MORE



amazon

Bankruptcy & Foreclosure

Taxpayers who do not comply because of financial difficulties

- Goal: Protect the state's interests and maximize recovery of state tax dollars in all phases of bankruptcy and foreclosure matters



Criminal Prosecution

Taxpayers who willfully avoid compliance

- Goal: Restitution and/or Punishment
 - Achieving a just and fair result
- Full-time criminal prosecutor assigned to SCDOR



Questions?

Need Help?

More Questions?

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Director

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