

Collections Top One Million Dollars

February 26, 2004

A partnership with one of the nation's largest government debt collection agencies has resulted in the collection of \$1 million in previously irresolvable taxpayer accounts for the Montana Department of Revenue.

The million-dollar collection milestone was reached on February 24, 2004, and means the State of Montana will receive \$811,000 in new revenue that, until this point, was considered uncollectible.

The department signed a contract with GC Services Limited Partnership (GCS) last October to provide assistance in collecting outstanding individual income tax liabilities. GCS has been actively collecting on the accounts for three months, beginning their collection efforts on November 22, 2003.

According to Linda Francis, Director of the Montana Department of Revenue, this is the department's first attempt to use a collection agency to help collect delinquent taxes.

"We are already looking forward to the next million as we continue to partner with GCS in reducing the outstanding unpaid individual income tax debt," said Francis. "This is money that is owed to the state, and we're pleased to see these accounts being resolved."

Currently, the Department of Revenue has about \$53 million in total individual income tax accounts receivable. GCS is charged with resolving approximately half that amount, about \$27 million. The accounts include small balance accounts of less than \$200, out-of-state accounts and accounts greater than two years old.

"Not only is GCS recovering approximately \$300,000 dollars a month, they are helping us hold the line on costs for collection staffing and other resources," said Francis. "We're receiving a significant return on our investment simply because we do not invest a dime upfront for the work that GCS does. Their fee is paid only after the taxpayer payments actually come through the door."

Neil Peterson, administrator of the department's Customer Service Division, says the department will continue its active collection efforts on inactive individual income tax accounts less than two years old and other tax types such as withholding tax, corporation tax and lodging facility tax.

"It is pretty uncommon for an inactive account to be resolved by the department," said Peterson. "If a delinquent taxpayer does call in to pay off one of these accounts, it's usually because the taxpayer is trying to clear up debt to obtain a home mortgage or bank loan."

GCS was selected through a competitive proposal process. The department received 17 responses to its Request for Proposal with only one response coming from a Montana-based company. Procurement laws do not allow for Montana companies to receive preference in the proposal process. GCS was awarded a one-year contract, effective October 22, 2003 and is paid 18.9 percent of the total amount collected.

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