

CITY OF CROSSVILLE

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Office of The
City Clerk

Due to the creation of a software report to report new businesses to the State, I was compelled to scrub all my business tax files to get all the formatting correct for reports. In doing so, I was appalled with the situation regarding businesses that had not registered with the State and filed tax returns, as well as the number of delinquent businesses. I have physically reviewed all files, compared accounts to utility records, and toured the City. It occurs to me that we have a significant problem that is no doubt state-wide and resulting in lost revenues for cities, counties, and the state.

Report on business tax as of 12/10/15 for City of Crossville

1,422 Total active businesses in computer system

41 Appear to be out of business or moved to new location

210 Unregistered with the Department of Revenue and not paying business taxes

615 Delinquent as of 12/31/14 (43%)

Class 1	25	4.07%
Class 2	143	23.25%
Class 3	288	46.83%
Class 4	159	25.86%

412 Delinquent as of 12/31/13 (29%)

Class 1	19	4.61%
Class 2	91	22.09%
Class 3	198	48.06%
Class 4	104	25.24%

216 Delinquent as of 12/31/12 (15%)

Class 1	14	6.48%
Class 2	36	16.67%
Class 3	112	51.85%
Class 4	54	25%

126 Delinquent as of 12/31/11 (9%)

Class 1	7	5.56%
Class 2	22	17.46%
Class 3	56	44.44%
Class 4	41	32.54%

75 Delinquent as of 12/31/10 (5%)

Class 1	5	6.67%
Class 2	12	16%
Class 3	33	44%
Class 4	25	33.33%

2 Delinquent as of 12/31/09 (<.5%) Both Class 1

Observations:

- Out-of-town contractors routinely get business licenses because we require them in order to get a building permit. However, they never register with the Dept. of Revenue and file taxes on the work performed in Crossville.
- It is apparent that the inspectors of beauty shops do not check the status of business licenses when they do their inspections because there are many that have never registered with DOR and filed taxes returns and many others that are delinquent.
- It is apparent that cross-checking of businesses with sales tax is either not done or there is no follow-up. I found one hotel that never registered or paid a return since DOR took over. I found another business that has locations across the State and grossed close to \$1,000,000 when their last tax return was filed with the City that has never registered with the State and paid a tax return for their business in Crossville.
- Enforcement seems to be limited to sending out letters with little resources dedicated to the collection. It would also seem that the hands-on enforcement is limited to those with large revenues and the small ones forgotten.
- Payment of delinquent returns can only be done by mail, which requires obtaining forms and manual calculations of penalty and interest
- DOR accepts returns even when previous returns have not been filed. Each business must be checked to insure that all returns have been filed. When a previous return has not been filed, business owner must be contacted to file the missing return. It is unknown whether the taxpayer is made aware of this when they file the return.
- Businesses report difficulty getting assistance from DOR.
- No renewal notices are sent as a reminder to businesses to file their returns. Originally, we were told they would get reminders electronically when they file their monthly sales tax return. In talking to a business, this appears to be happening. However, businesses in the service industry (mainly Class III and IV) that do not collect sales tax get no reminders.
- Local governments need access to records to “view only” to see returns filed without having to import the clearance files into Excel to search for a particular business. Access by address, state account number, etc. would be very helpful to assist in questions from businesses and to double-check about filed returns. There have been many instances that tax returns have been filed, but never showed up in our packet.
- Enforcement vs. collection? What is the difference? What are the options for local governments with delinquent businesses?

Respectfully,

Sally Oglesby, MMC
City Clerk