

# Five Ways to Reduce Your Tax Appeal Docket

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HEARINGS AND TAX LITIGATION DIVISION

**[Comptroller.Texas.Gov](http://Comptroller.Texas.Gov)**

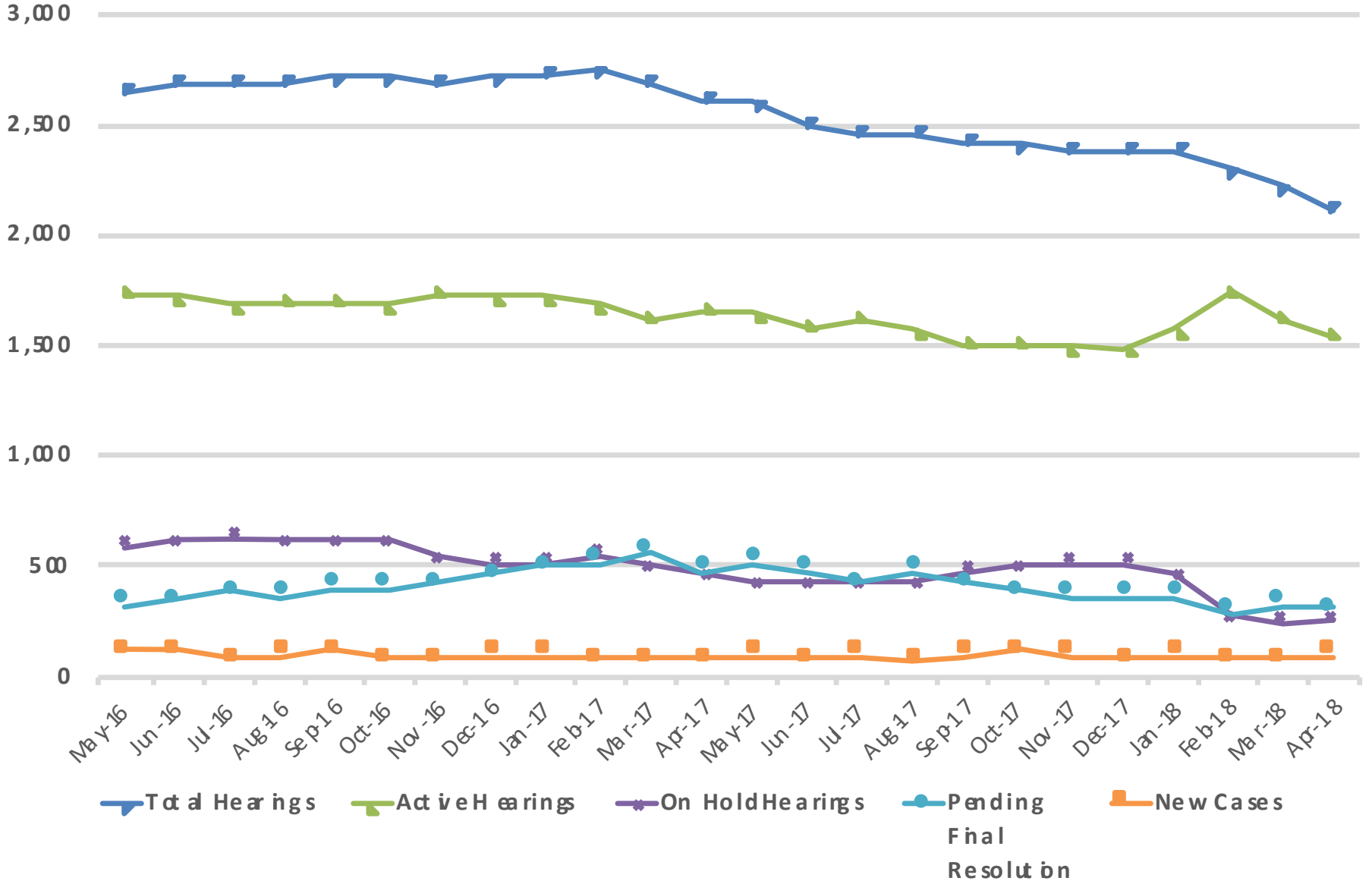
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# I. Track and Understand Docket Trends

TEXAS COMPTROLLER OF PUBLIC ACCOUNTS  
 ADMINISTRATIVE HEARINGS SECTION  
 DOCKET TRENDS 5/1/2016-4/30/2018



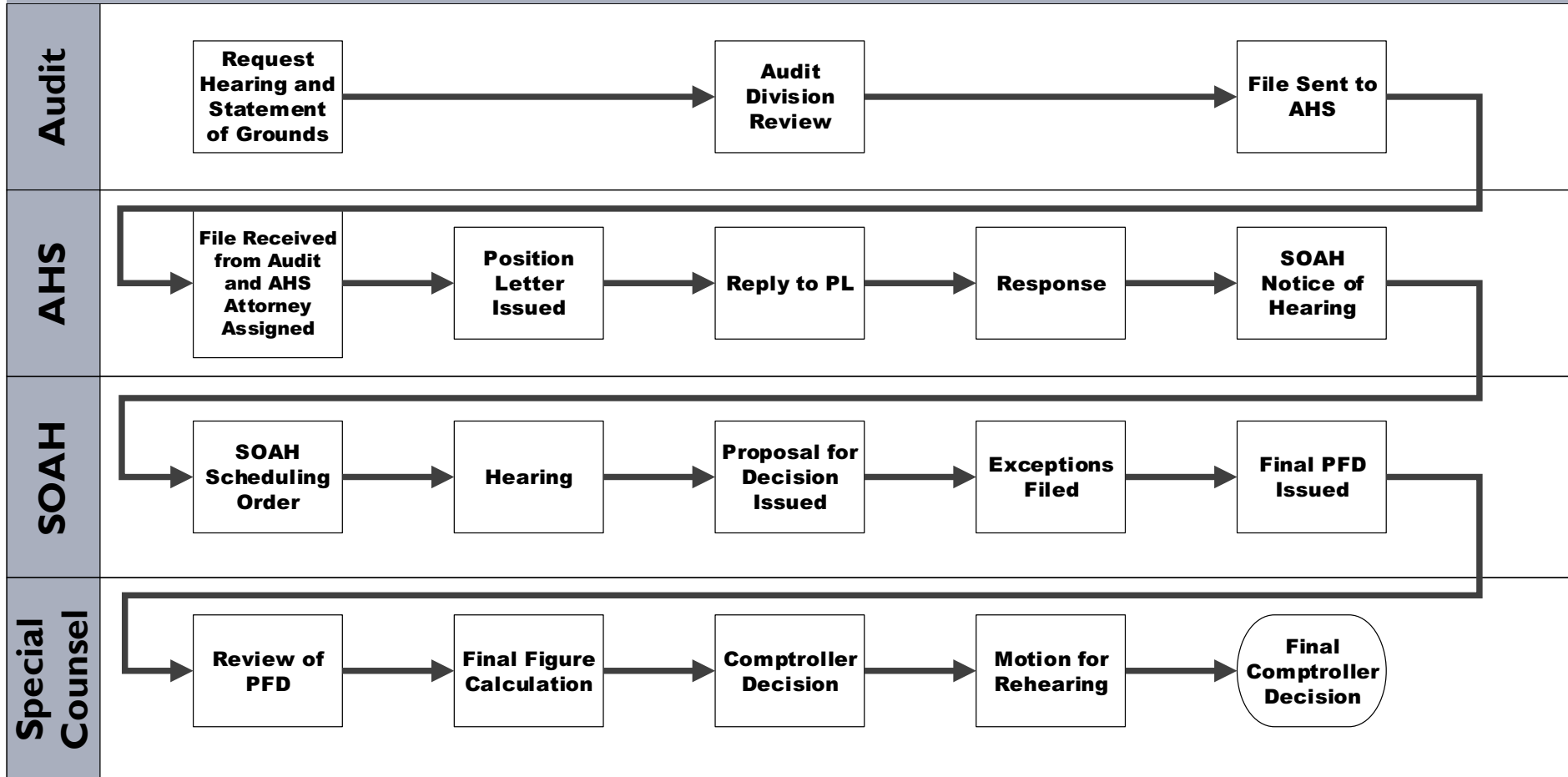
## 2. Track and Understand Why Aging Cases Haven't Been Resolved

# Inventory for Aged Cases

Status	July 2017	October 2017	January 2018	April 2018	May 2018	Description
Working/in process	159	153	207	279	193	AHS is working the case in the normal process. There is nothing holding up the hearing.
Audit action required	19	13	11	20	21	Awaiting auditor review of documents or updated audit schedule
Awaiting Taxpayer Information	82	46	46	15	14	Awaiting documents or information from taxpayer, such as schedules, certificates, etc.
Miscellaneous	24	27	5	5	5	Miscellaneous
Settlement officer hold	6	8	8	5	4	Audit is in settlement discussions
Tax Policy issue hold	3	3	2	2	2	Awaiting Tax Policy issue resolution
Pending SOAH Hearing	84	76	56	53	54	Set at SOAH and hearing has not yet occurred.
Awaiting PFD from SOAH	21	12	19	25	21	Awaiting PFD and ALJ Letter. Hearing has occurred. Record may still be open.
Awaiting Special Counsel action	70	63	39	23	24	Awaiting CD or other Special Counsel action
Bankruptcy hold	16	15	16	15	14	Bankruptcy filing that affects the hearing
Trailing Litigation	166	225	201	61	62	Hearings on hold for pending litigation
Final figures/ settlement processing	69	73	63	123	104	Awaiting final figures, audit amendment, or statement of account
Pending close	48	47	22	38	26	Awaiting CD final date or file scanning
<b>Total</b>	<b>767</b>	<b>761</b>	<b>695</b>	<b>664</b>	<b>544</b>	

### **3. Work with Taxpayers to Improve the Process**

# Texas Comptroller Contested Case Flow





**Glenn Hegar** Texas Comptroller of Public Accounts

July 2017

# The Rules of Practice & Procedure

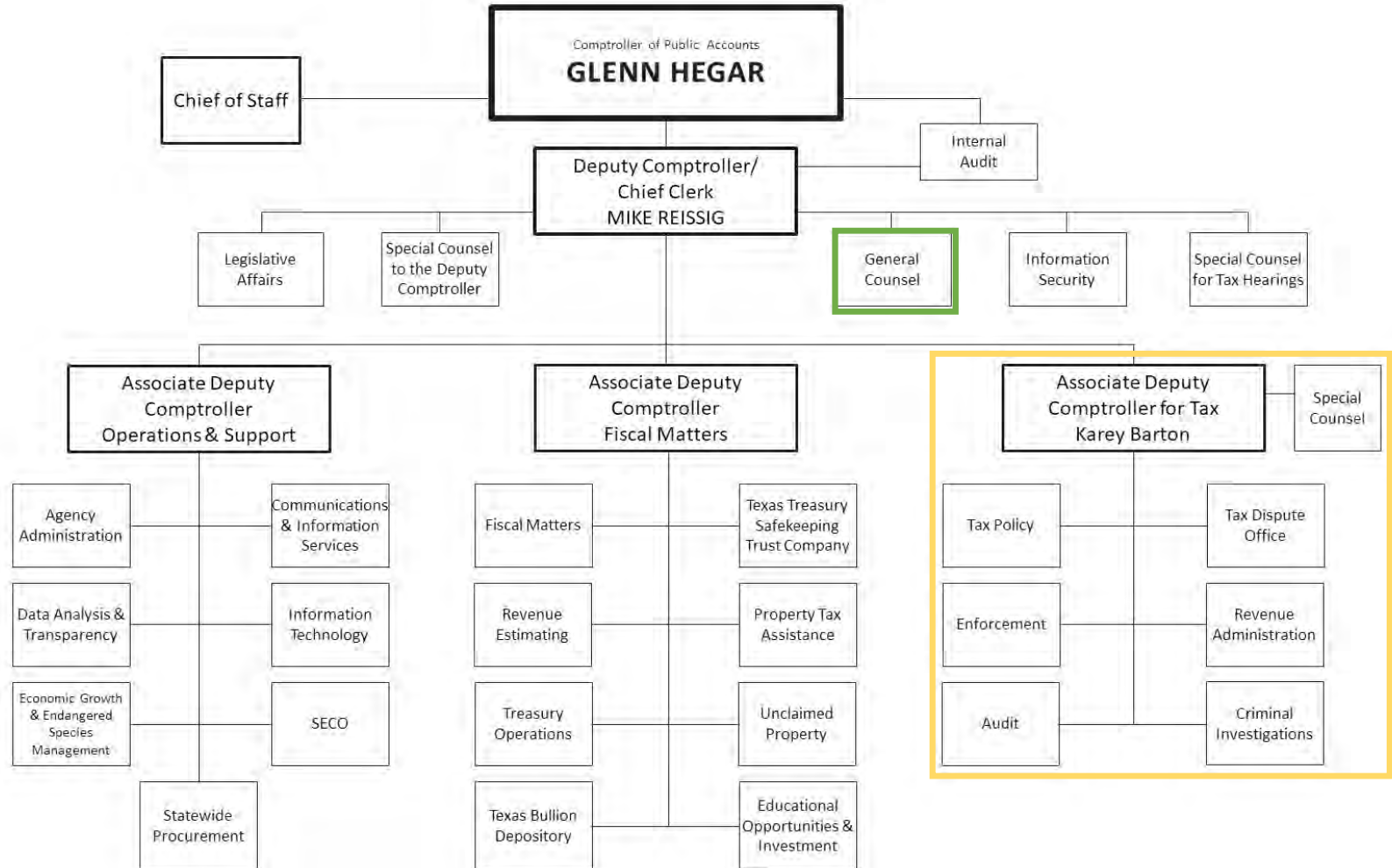
Title 34, Texas Administrative Code §1.1-1.42



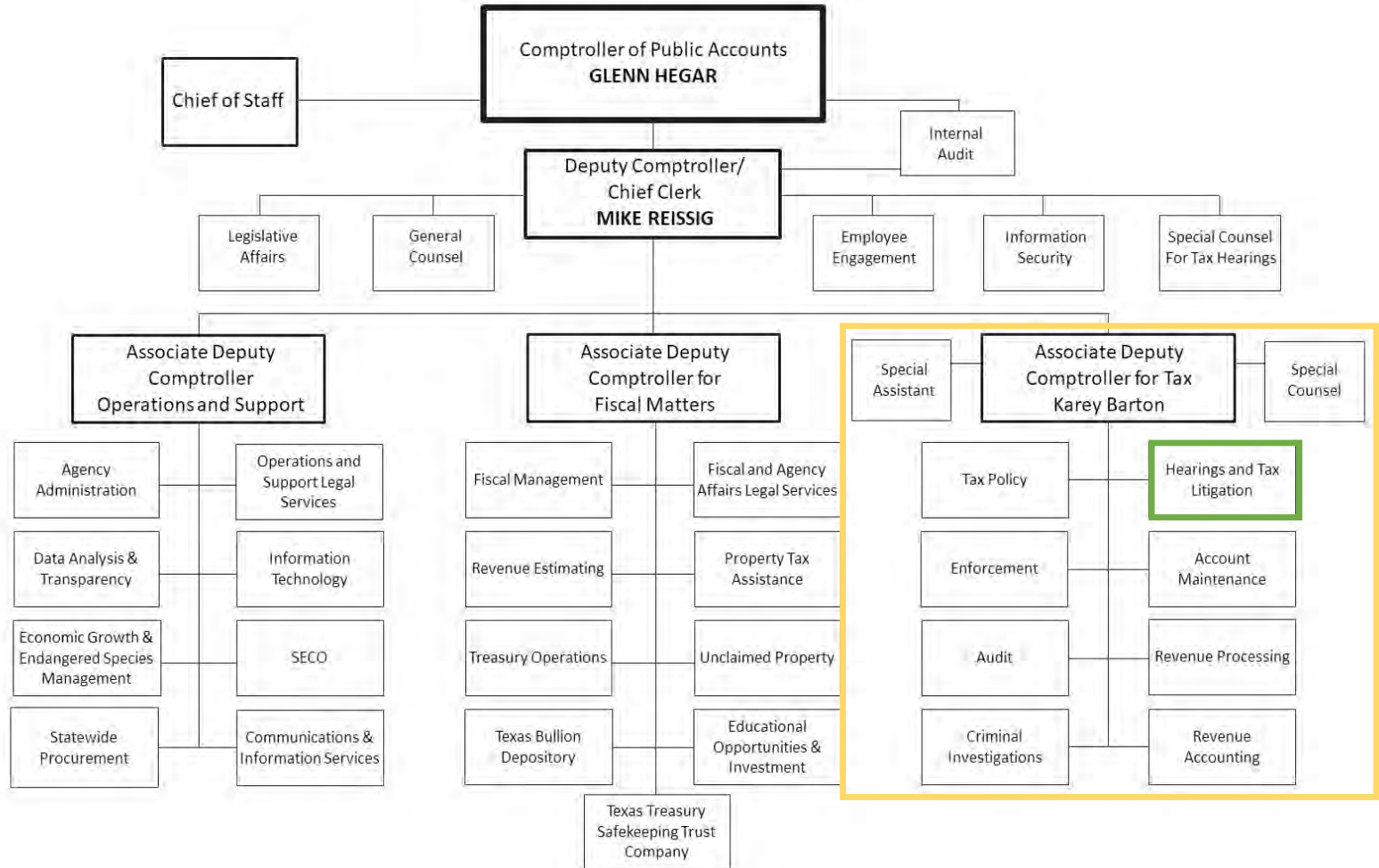
- Comprehensive Revision of Comptroller's Rules of Practice and Procedures
  - Stakeholders involved in every step of the process
  - Dozens of suggestions to simplify and clarify Rules incorporated
  - Addresses several longstanding taxpayer complaints about process, such as deadlines for taxpayers but not for agency

## 4. Work with Agency to Improve the Process

# Before Re-org



# After Re-org



# Reviewing and Identifying Potential Improvements in the Contested Case Process

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*Taxpayers have a legal obligation to pay all the taxes they owe, but every taxpayer has the right not to pay a penny more than what they owe.*



## **Project Team Members**

Tomas Diaz – Account Maintenance  
Michelle "Chellie" Frazier – Audit  
Shawn Wilson – Contract Administration  
Matt Jones – General Counsel  
Justyna Alexis – Tax Policy

## **Executive Sponsors**

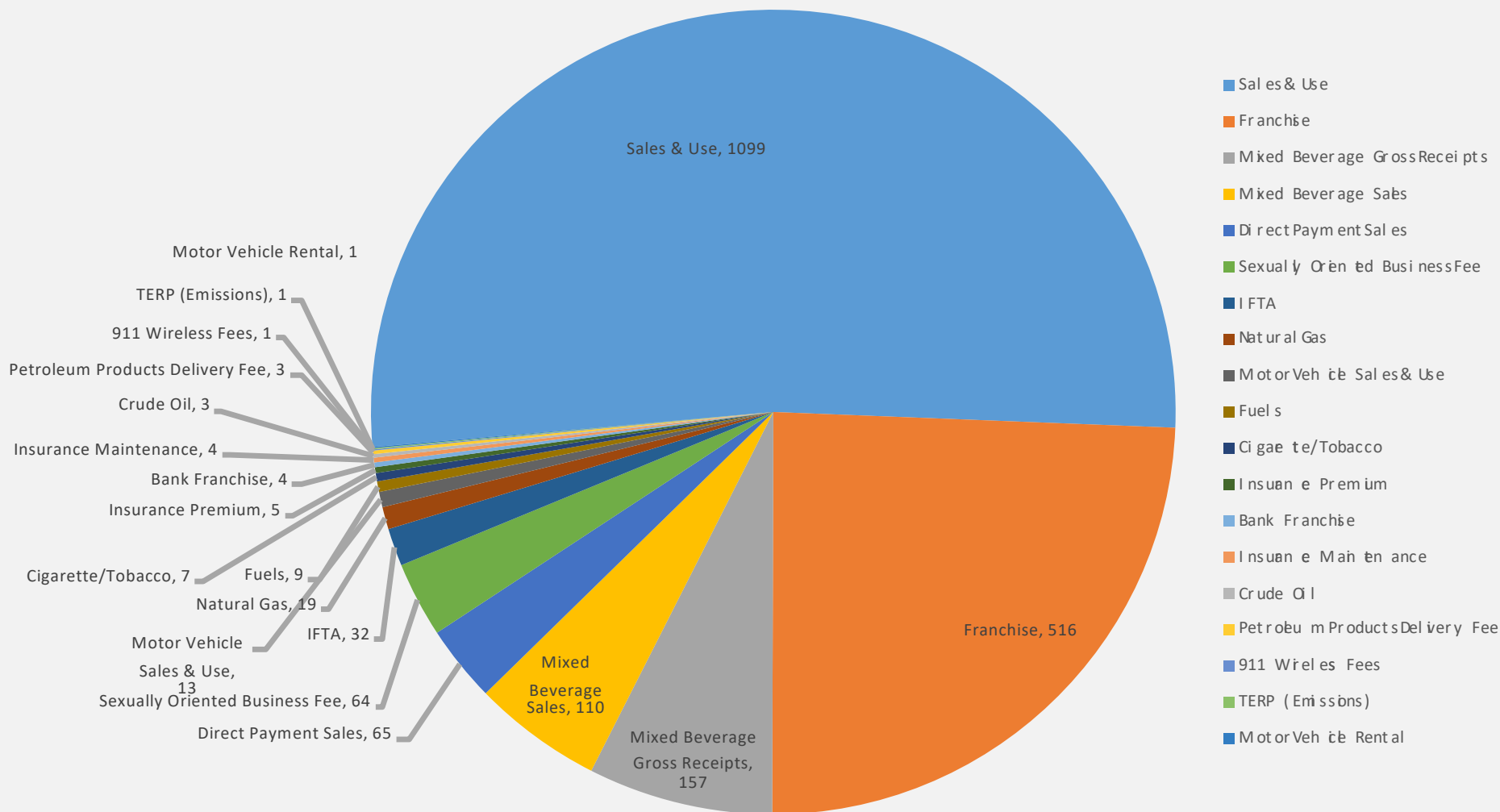
Karey Barton and Nancy Prosser

## **Subject Matter Experts**

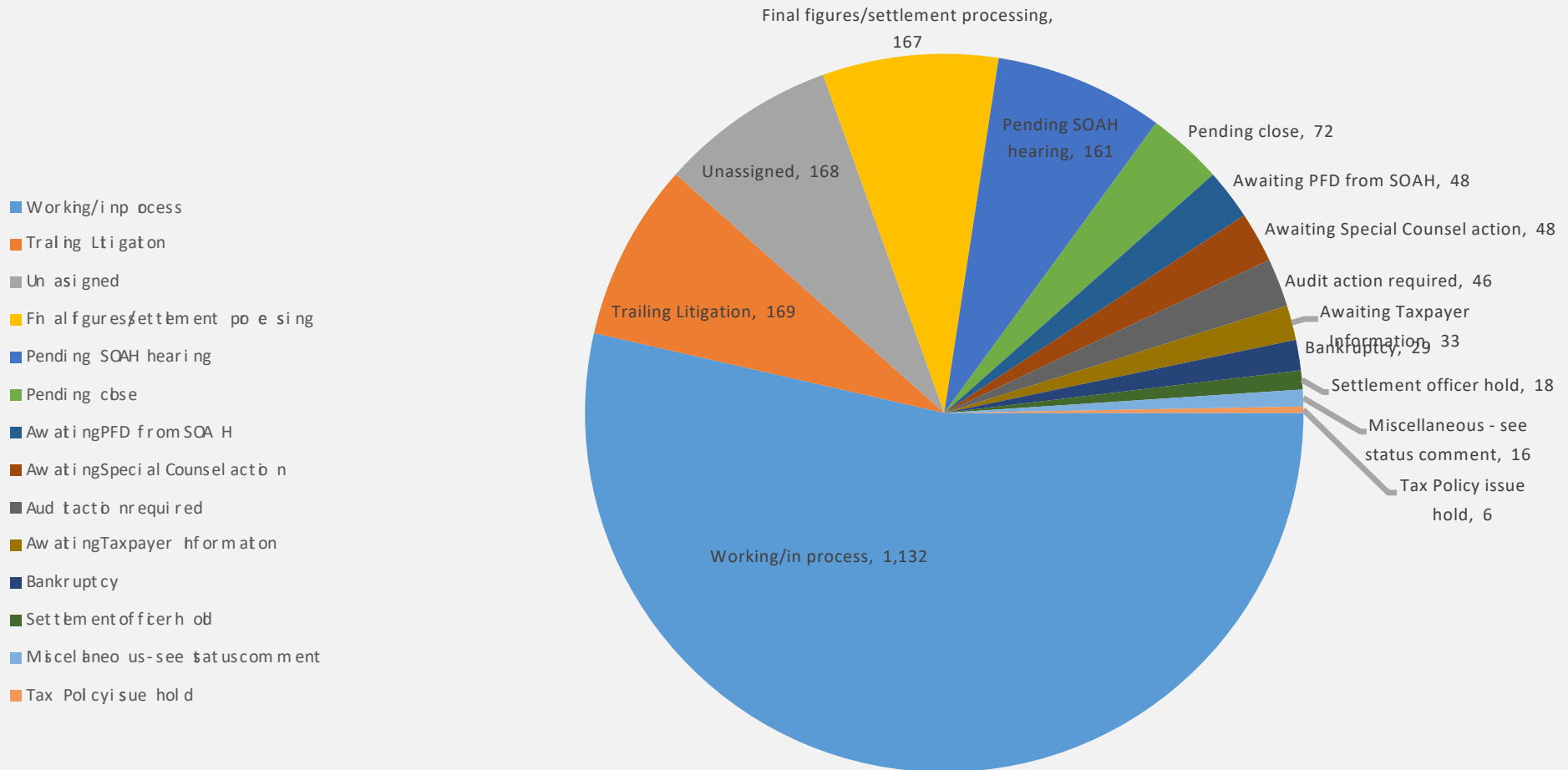
William Hamner, Don Neal and Kari Honea

**5. Work with Division  
to Improve the Process**

# Hearings by Tax Type



# Status of All Hearings





# Thank you!

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# INDIANA DEPARTMENT OF REVENUE

## Lessons from Indiana's 2017 Tax Protest Optimization

**Patrick Price**

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# DEPARTMENT OF REVENUE PYRAMID OF EXCELLENCE



# Tax Protest Overview

Approximately 1,600 total protests are filed each year:

- 50% of protests are resolved during initial screening
- Hearing Officers issue approximately 450 written decisions
- Remainder are closed without final determinations through settlement, administrative closing, withdrawal or “no shows”



# Tax Protest Concerns

Improving protest process one of agency's top 2017 goals:

- Inconsistent response times
- Significant delays in assigning and resolving protests
- No visibility for Commissioner into process
- No cradle to grave metrics or tracking
- Pattern of agency loses in Tax Court

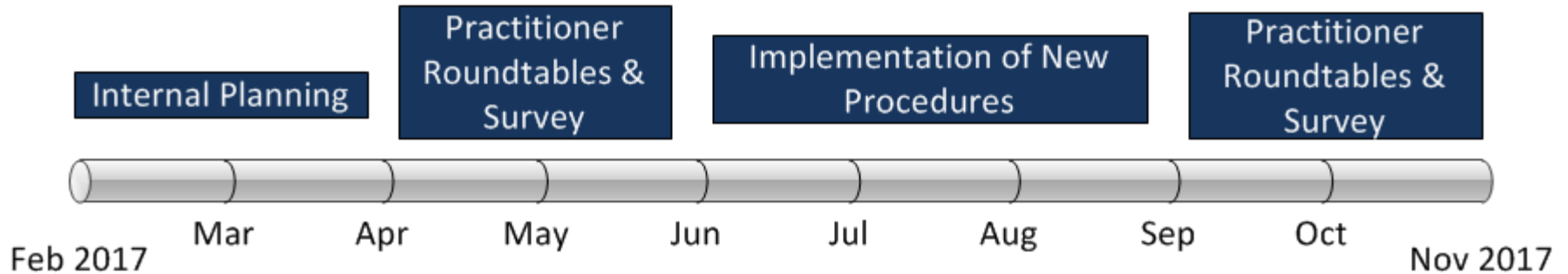


# 2017 Tax Protest Optimization





# Tax Protest Optimization *Timeline*



# Tax Protest Changes Implemented

- Created four defined protest tracks
- Developed protest submission & extension forms
- Increased settlement authority for hearing officers
- Established a target of 110 days to decision





# Tax Protest Process Review

- Changes most widely supported included:
  - Defined tracks for protests
  - Improved settlement options
  - Accelerated timing to issue decisions
- Concerns identified:
  - Producing documentation at outset
  - Confusing protest submission form
  - Timeline to decision was too aggressive
- DOR Responses
  - Revised protest submission form to clarify options, rights and documentation timing
  - Maintained informal proceedings, as requested
  - Settlement options are now offered at the offset of a protest



# Tax Protest Review Results

- Standard submission form and checklist improved tracking and efficiency
  - 100% of hearings scheduled within 45 days
- As of December 31, 2017, there were 179 pending protests.
  - 41% reduction in pending protests year-over-year
- DOR placed an emphasis on resolving older protests.
  - December 31, 2016, 35% of open protests were pending more than 6 months
  - December 31 2017, 13% of open protest were pending more than 6 months



# Tax Protest Review by the Numbers

	<u>2017</u>	<u>2016</u>
Files closed by Hearing Officers:	771	596
Closed without final determination:	292	152
Closed with final determination:	479	444
Tax Court cases filed:	14	47
Percent of final decisions appealed:	3%	11%
Pending protests on 12/31:	179	303
Pending over 6 months on 12/31:	13%	35%



# Litigation Strategy

- Enhanced focus on evaluating whether cases need to be litigated
- Over 90% reduction in cases on Tax Court docket since January 2017
- Focus resources on high-impact cases



# Keys to Success

- Fully transparent process
- Practitioner engagement and buy-in
- Increased settlement authority
- Ability to administratively close without decision
- Protest submission form for taxpayers
- Metrics for tracking



# Thank You

**Patrick Price**  
General Counsel  
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# Managing the Appeals Process



Comptroller of Maryland  
Compliance Division

Daniel C. Riley, Director

# Compliance Division Goals

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Provide excellent customer service!

Address and resolve appeals w/o a hearing whenever possible.

Address and resolve appeals whenever possible w/o an appeal to Maryland Tax Court.



# Hearing & Appeals Section

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## Current Staffing

Manager

Two Assistant Managers

Twelve Hearing Officers

Two Administrative Assistants

# Sources of Appealed Cases

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Business Tax Audit Section – Sales/Use Tax, Withholding Tax, Corporate Income Tax, Motor Fuel Tax, Alcohol & Tobacco Tax, Admissions & Amusement Tax, IFTA, Unclaimed Property, Bay Restoration Fee

Compliance Programs Section – Federal Match Programs (Personal Income Tax), Customs Project, Airplane Project, Bulk Sales, Post Audits

Business Tax Collections – Officer Assessments

Revenue Administration Division – Questionable Returns Detection Team (QRDT) for current year PIT returns

# Management Tools

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Case Information Sheet – Utilizes institutional knowledge to provide guidance to Hearing Officers to better manage workloads (low tech)

H&A Roster – In-house legacy software that tracks appeals by type, etc. throughout the appeals process. Allows management to detect delays in appeal resolution and to respond to appeal specific questions.

# Income Tax Case Information Sheet

**INCOME TAX CASE INFORMATION SHEET**

HQ# (AMT)  Tax Form Ref#  Assessment Year

Liability?  Map to (STATE)?  Tracking #

Date Assigned:  8/1/2018 Hold Number?

Assigned by: \_\_\_\_\_

Assigned to:  Send to holding office

Taxpayer(s) Name:  Enter taxpayer name

PS/SSN/Document:  (Keep space) SSN / Document #

Tax Period(s):  Enter Tax Year

Assessment Date:  Serial Date:

Appeal Date:  Adjudicate  Timely?  Date Received in HQ#  2/28/2018

Entered Case:

Tax Trust:  COOP  SCOP  CPE  Ind  Other

Assessment Type:  EW  CW  P/SSB  B/AM  MA  Credit Audit  
 CORL  CORP  Balance Due  Field Audit

Denial Type:  Amended  Partial Review  Full Waive  Exemption

Last Processing:  MA  Compliance Program  Field Audit

Case Type:  Clearing  CRM  DPT  Case Appeal

Brief Outline of Issues:

Select common issues:

Enter other issues:

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Other Notes: Enter other notes



# Procedures

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Written appeal received – in writing, email, online, fax

Appeal is forwarded to Section Management for review. Due to volume of appeals, Manager reviews business tax appeals and Assistant Managers review Income Tax appeals. Based on the review, a case information sheet is completed for each appeal and returned to Administrative Assistant to log into H&A Roster

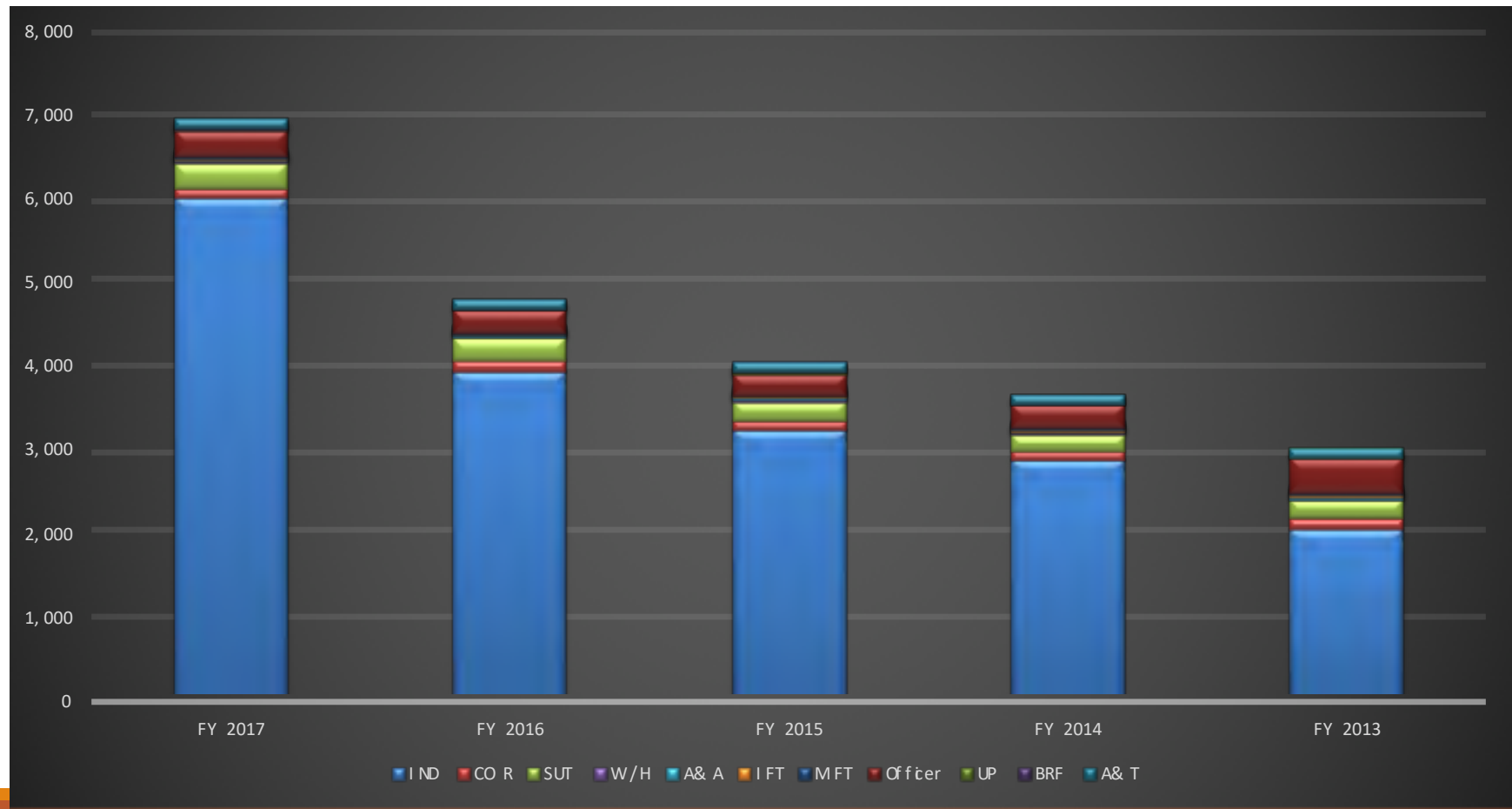
# Procedures (Continued)

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Appeals are determined to be:

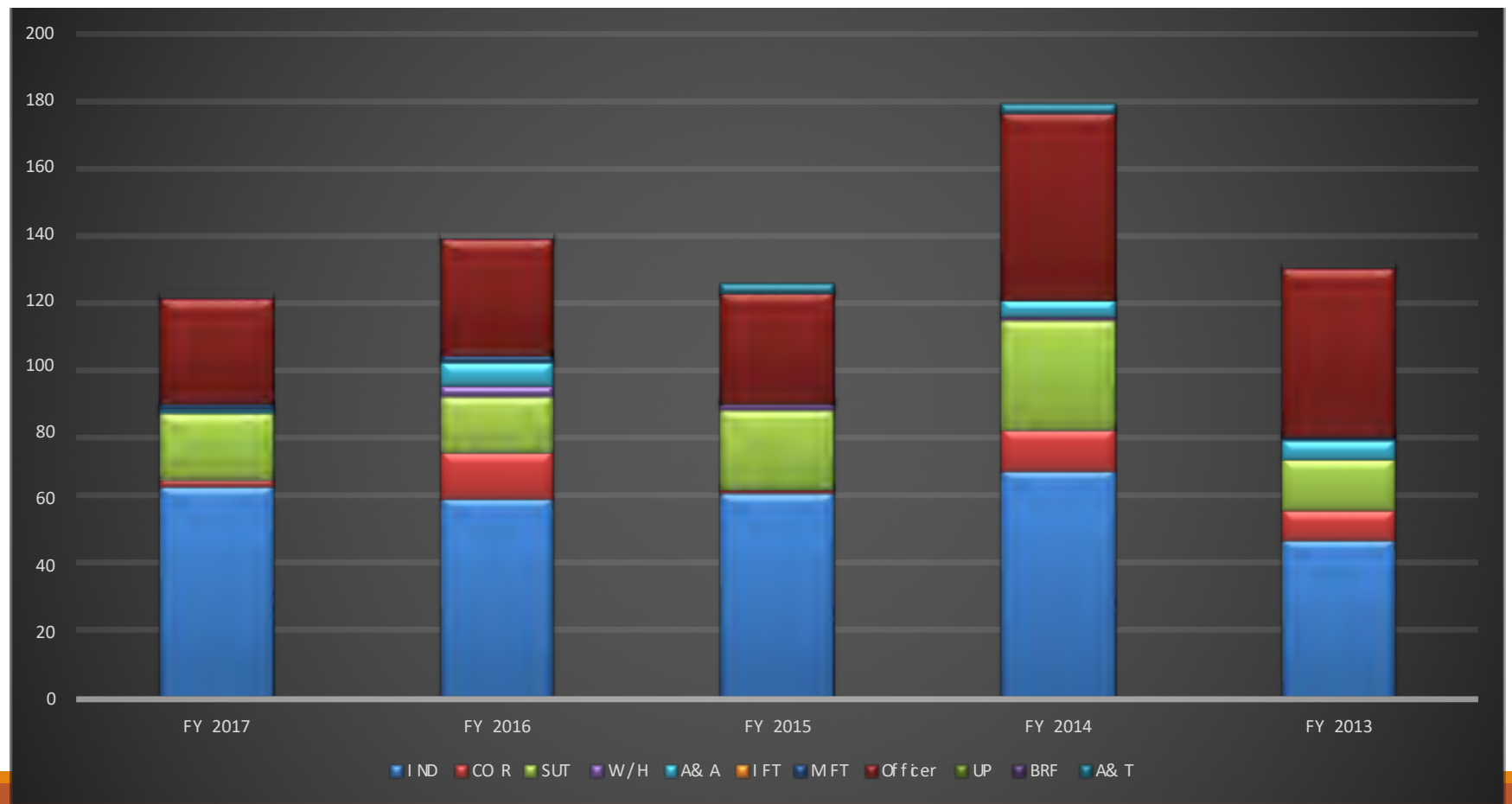
- ❖ Timely – further classified as
  - Penalty/Interest Waiver Request
  - Hearing Not Required (HNR)
    - Provided documentation necessary to close
    - Explanation to TP may make hearing unnecessary
  - Hearing Required
  
- ❖ Late

# Appeals Received

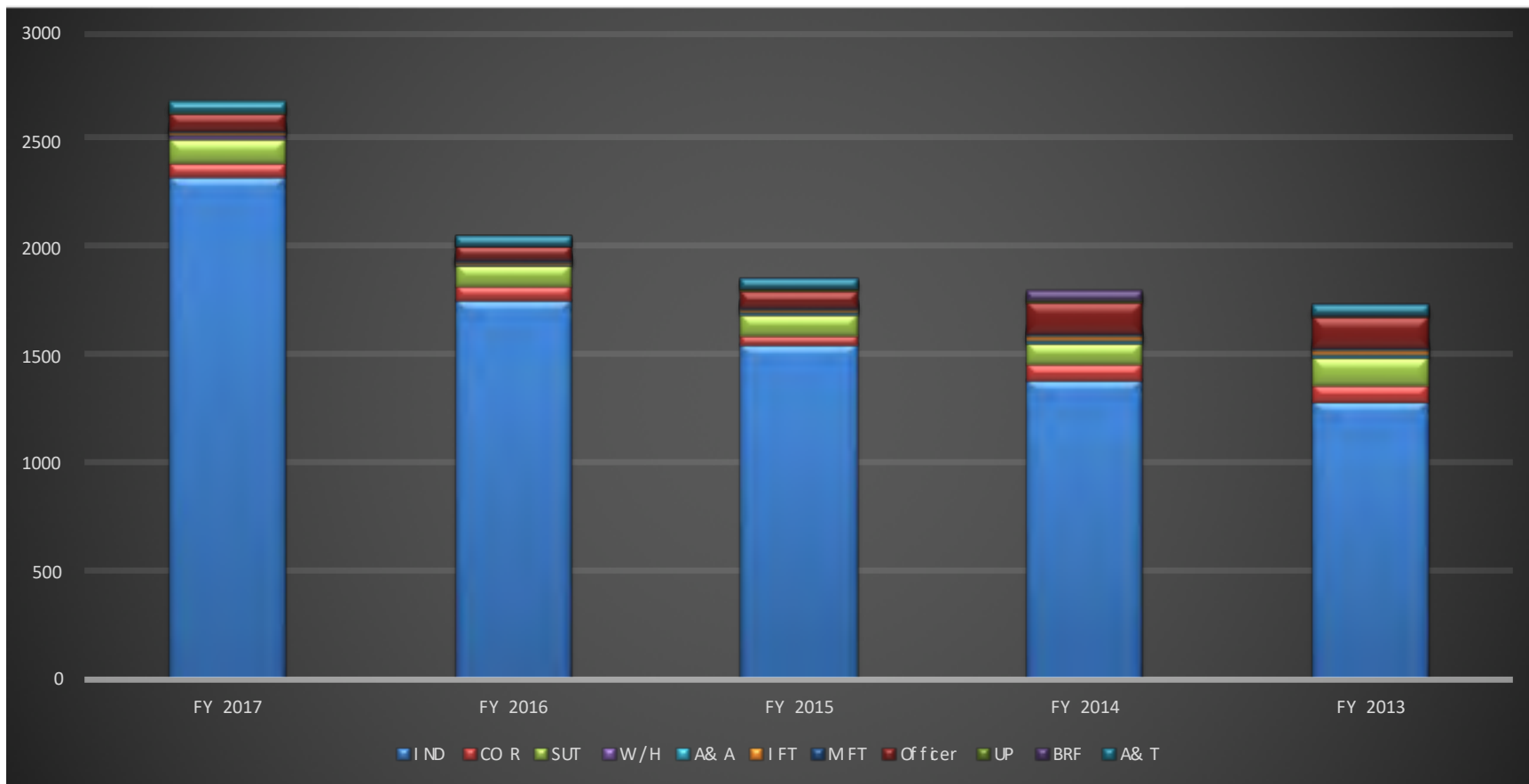




# Appeals to Tax Court



# Resolved Without Hearing



# Benefits of Management of Appeals Process

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Direct feedback to sources of appeals of trends/issues noted in appeals received.

- 1) Specific match program may be incorrectly selecting individuals for assessment.(false positive)
- 2) Audit technique by certain auditors or audit team are ineffective or inaccurate.

Provide feedback to analytical models utilized in case selection.

Provide useful information to Tax Professionals on the activities of the Hearings & Appeals Section.

Contact Information:

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