



September 23, 2022

Kraig Paulsen, Director
Iowa Department of Management
State Capitol Building

Timothy McDermott, Director
Legislative Services Agency
State Capitol Building

Office of the Secretary of Senate
Iowa Senate
For the Legislative Fiscal Committee
State Capitol Building

Office of the Chief Clerk
Iowa House of Representatives
For the Legislative Fiscal Committee
State Capitol Building

Re: Department of Revenue Collection Enterprise

Dear Mr. McDermott and Members of the Legislative Fiscal Committee:

I am writing to update you on the Iowa Department of Revenue's debt collection program for Fiscal Year 2022. This report is required annually by Iowa Code Chapter 421.17(27)(j).

If you have any questions, or further information is needed, please let me know.

Respectfully,

A handwritten signature in black ink, appearing to read "Kraig Paulsen".

Kraig Paulsen
Director

**Iowa Department of Revenue
FY 2022 Central Collections Unit Report**

Debt Collection Program

Debt collection services within the Department are provided by the Central Collections Unit (CCU). CCU provided debt collection services to the following state agencies:

- Department of Human Services (DHS) Child Support Recovery Unit
- DHS Health & Wellness Premiums
- DHS Medicaid Provider Overpayments
- Department of Natural Resources (DNR)
- Iowa College Student Aid Commission
- Iowa Department of Revenue (IDR)
- Iowa Insurance Division (IID)
- Iowa Judicial Branch

Each agency placing accounts with the CCU may also undertake additional collection efforts beyond those reflected in this report.

CCU collections consist of two stages. Stage 1 collections are performed by CCU-TSI, and include both tax debt and non-tax debt accounts. Stage 2 collections are performed by CCU-IDR on debt CCU-TSI was unable to collect in full or establish a repayment plan.

Costs by Fiscal Year

The Centralized Collection Unit is self-supporting and charges for all direct and indirect costs that are properly allocable to CCU activities. CCU-IDR added one new Revenue Agent 3 position in FY 2022. CCU costs for the last three fiscal years, and an estimate of FY2023 costs, including but not limited to salaries, support, maintenance, and services, are provided in Table 1. The increase in cost is due to the IDR modernization tax system project.

Table 1. Centralized Collection Unit Costs, FY 2020 – FY 2023

	FY 2020	FY 2021	FY 2022	FY 2023
	Actual	Actual	Actual	Estimated
Cost Incurred	\$10,072,006	\$15,222,773	\$19,056,111	\$19,028,185

Iowa Department of Revenue FY 2022 Central Collections Unit Report

Collections by Fiscal Year

Table 2 shows total dollars collected by CCU the last three fiscal years and an estimate of the total dollars to be collected in the current fiscal year.

Fiscal Year 2022 collections were \$214.6 million, a decrease of \$6.2 million compared to FY2021. The temporary decline can be attributed to the implementation of an upgraded, integrated tax system; IMPACT.

The rollout of IDR's modernized tax system has led to several changes in how collections are calculated and reported. Changes include:

- Dollars collected within the first thirty days after a Notice of Assessment is issued are coded in IMPACT as "Assessment Recoveries."
 - Prior to FY22, these collections were included in CCU-TSI, Stage 1, Tax Debt.
 - Assessment Recoveries are now included in CCU-IDR Tax Receivables.
- Accounts Receivable (A/R) Non-filer collections were not previously included in CCU program collections.
 - Non-filer collections represent payments received on accounts that are delinquent, but have not yet received a Notice of Assessment or resolved the non-filer status.
 - A/R Non-filer collections are now included in CCU-IDR Tax Receivables.

Table 2. Central Collections Unit Program Collections, FY 2020 – FY 2023

Program	FY 2020	FY 2021	FY 2022	FY 2023
	Actual	Actual	Actual	Estimated
CCU - IDR Tax Receivables	\$172,181,364	\$144,583,419	\$122,575,697	\$119,600,000
CCU - TSI, Stage 1 Tax Debt	\$43,413,383	\$69,662,289	\$83,257,811	\$72,000,000
CCU - DHS Child Support	\$375,437	\$644,669	\$682,080	\$600,000
CCU - DNR	\$32,949	\$27,306	\$5,809	\$30,000
CCU - College Aid	\$116,109	\$95,868	\$95,748	\$100,000
CCU - DHS Health & Wellness	\$101,102	\$22,145	\$53,575	\$60,000
CCU - DHS Medicaid	\$49,878	\$5,620	\$11,474	\$22,000
CCU - Iowa Insurance Division	\$13,947	\$7,945	\$7,819	\$10,000
CCU - Iowa Judicial Branch		\$5,814,362	\$7,941,016	\$12,000,000
Total	\$216,284,169	\$220,863,623	\$214,631,029	\$204,422,000

Notes:

CCU - IDR Tax Receivables: amounts collected from Account Receivables, Non-filers, CCU-IDR Stage 2 Tax Debt, and Assessment Recoveries

