



STATE OF NEW JERSEY  
OFFICE OF THE TREASURER  
CN 002  
TRENTON, N.J.  
08625

*File*

JIM FLORIO  
GOVERNOR

April 2, 1991

DOUGLAS C. BERMAN  
STATE TREASURER

**MEMORANDUM TO:** Robert J. DelTufo  
Attorney General

**FROM:** Douglas C. Berman  
State Treasurer

*DCB*

**SUBJECT:** Cost Recovery Unit

I agree with your proposal to create an interagency cost recovery task force. In addition to the collection of income taxes, fees, fines and uncollected property you identified in your February 21 memo, there are also significant sales and corporate taxes owed to the State (see attached chart). I would strongly urge that the focus of the task force be expanded to include these uncollected revenues.

The Division of Taxation estimates that the value of the collectible outstanding debt is \$420 million. The Division expects to collect \$300 million in FY92; this amount is included in the FY92 revenue estimates. As your memo suggests and the GMRC report concludes, collecting an additional amount, and providing the support necessary to the task force, will require the addition of audit and enforcement personnel in the Division of Taxation.

With 50 such employees added to their current complement, the Division of Taxation would collect at least an additional \$12.5 million in FY92 and \$25 million in FY93. (Each audit/enforcement staff person generates an average of \$500,000/year in collections, but it would take about six months to hire and train new personnel.) These new people can be absorbed within Taxation without the need for additional clerical staff, hardware or software costs. Of the 50 new staff, 15 would be deployed in our out-of-state audit offices and 35 would be added in New Jersey. Taxation can then generate judgment cases for additional collection action by the AG's office; this workflow can be tailored to meet the available resources of the AG's office.

Memorandum to Robert DelTufo  
April 2, 1991  
Page Two

Re: Cost Recovery Unit

Similarly, the Unclaimed Property Unit currently collects approximately \$30 million per year. Again, additional auditors are needed to generate more in collections. Two new audit teams of three people each should produce \$1.5 million in FY92 and \$3 million in FY93 (because of the six month start-up period). A third audit team could be productive, although probably less so; beyond that the return would be limited.

The new Taxation staff people could be funded from the revolving fund you have proposed. Personnel costs for the new Taxation staff would total approximately \$2 million/year. Unclaimed Property is currently supported by a revolving fund; the new staff would cost approximately \$250,000.

In conclusion, I wholeheartedly support your proposal to create a collection unit. I appreciate your support for additional staff to facilitate these efforts.

amp  
Attachment  
c Joseph Salema

STATE OF NEW JERSEY  
DEPARTMENT OF TREASURY - DIVISION OF TAXATION  
LIABILITIES BY PROCESS / FISCAL YEAR REPORT  
TAX TYPE STRATIFICATION

GRAND TOTALS BY FISCAL YEAR

<u>FISCAL YEAR</u>	<u>OUTSTANDING BALANCE</u>
85	\$ 93,095,638.88
86	37,623,895.52
87	63,212,768.79
88	58,078,547.61
89	62,636,140.77
90	71,715,893.17
91	<u>33,689,183.53</u>
	<u>\$420,052,068.27</u>

GRAND TOTALS BY TAX TYPE

<u>TAX TYPE</u>	<u>OUTSTANDING BALANCE</u>
Corporate Business Tax	\$181,357,975.88
Gross Income Tax-ER	81,353,329.71
Sales & Use	126,401,901.86
Other	<u>30,938,860.82</u>
	<u>\$420,052,068.27</u>