

TAX UPDATE

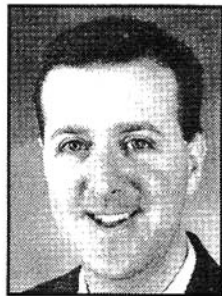
Tax Debts Listed Online: A Virtual Embarrassment

By Eric L. Morgenthal

We've all heard it. Parents say it all the time. "You'd better not do that.....it will end up on your *permanent record*." When I heard these words as a youth, I used to shrug them off. I'd think to myself, "what record? Do they honestly believe that an imaginary place exists where anyone can look to review all of my mistakes in life?" Well guess what....now there is.

State tax agencies have been employing many different methods to enforce the col-

Editor's note: The author, an attorney and CPA with a masters degree in Taxation, practices in the area of Tax Law and maintains his law practice in Smithtown. He is the Chair of the SCBA Taxation Law Committee and an Officer in the SCBA Academy of Law.



Eric L. Morgenthal

lection of tax revenue. Liens, levies, and wage garnishments have been used effectively for years to secure payment from even the most noncompliant offenders. However, states have begun to discover a new secret weapon — shame.

Around the country, many state tax departments have been releasing online lists which disclose the names and amounts owed by delinquent taxpayers. The names for these web sites (i.e. *DelinqNet* in Minnesota and *Debtor's Corner* in South Carolina) are selected to further encourage taxpayer compliance.

The first question that many ask is... is this legal? Isn't this an invasion of privacy? Technically, the answer is no. The internet postings are generally state tax warrants which are already a matter of public record. The new online lists just make this information more visible to the public. As a result, tax debtors are becoming as concerned with removing their names from the lists as they are with extinguishing the underlying tax deficiencies.

Currently, Connecticut, New Jersey, California, Colorado, Illinois, Rhode Island, Washington, Minnesota, North Carolina, South Carolina, Maryland, Louisiana and Wisconsin have tax dodger lists available. A simple Google search could also turn up the name. But here's the big question... what about New York? Unlike other states with "Top 100 Scofflaw" or "A-Z" lists of all tax debtors, New York provides a search engine on the New York State Department of State web site (http://appsext4.dos.state.ny.us/stwarrants_public/st_search). To find a particular taxpayer, web surfers merely need to enter the name of the business or individual. The state then scans for public recordings of New York State tax warrants against them.

The use of the internet for tax enforcement has also brought some unintended benefits for state tax agencies. Web surfers who recognize the name of listed offenders have been stepping forward to provide new information relating to debtors' whereabouts. However, states now carry the continuing obligation to keep these lists current. Taxpayers who have previously settled their tax affairs can have their financial reputations ruined by an erroneous disclosure of taxes owed.

The internet has made public access to personal information more abundant than ever. Tax problems which were relatively confidential in the past are now posted for all of the world to see. Although perceived by debtors as a punitive method of collecting tax dollars, cash-strapped state governments have seen this as a boon to their tax collection divisions. Liked or not, these methods have re-prompted the urgency for many taxpayers to extinguish longstanding stale and delinquent balances due. People are stepping forward to prevent their private tax matters from becoming a *virtual* embarrassment.