

Topic: Turn and Burn Entities?  
 Question by: Patrick Reed  
 Jurisdiction: Washington  
 Date: November 1, 2013

Jurisdiction	Question(s)
	<p>Does your agency have authority to prevent governing people from opening another business when significant tax debts are owed?</p> <p>Is it purely a civil action between the taxing authority and the business?</p> <p>What agency has authority to “collect” the outstanding tax debts? (Revenue, Attorney General, Civil Action, ?)</p> <p>Does your agency refer these activities for other agencies or legal jurisdictions to enforce?</p> <p>Any insight to how your state would handle this situation is appreciated.</p>
<b>Manitoba</b>	
<b>Corporations Canada</b>	
<b>Alabama</b>	
<b>Alaska</b>	
<b>Arizona</b>	
<b>Arkansas</b>	
<b>California</b>	
<b>Colorado</b>	
<b>Connecticut</b>	
<b>Delaware</b>	

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<b>District of Columbia</b>	<p>Does your agency have authority to prevent governing people from opening another business when significant tax debts are owed? <i>We used to check the names of the individuals with the database of revoked entities; if names matched we required individuals to reinstate their old entity rather than reincorporate under the same name as new; this is no longer the case since the enacting of new corporate law in 2012</i></p> <p>Is it purely a civil action between the taxing authority and the business? <i>Generally speaking, yes; I have heard of some cases where lawyers for both DC Tax agency and Attorney General's Office bring legal complaint against any given business;</i></p> <p>What agency has authority to “collect” the outstanding tax debts? (Revenue, Attorney General, Civil Action, ?) <i>DC Office of Tax and Revenue and to a lesser degree DC Attorney General's Office;</i></p> <p>Does your agency refer these activities for other agencies or legal jurisdictions to enforce? <i>In case of corporate registration we do not cross check the tax compliance; however, the business licensing folks will not issue the license if business owes any back taxes (over \$100);</i></p>
<b>Florida</b>	
<b>Georgia</b>	
<b>Hawaii</b>	
<b>Idaho</b>	
<b>Illinois</b>	
<b>Indiana</b>	IN is the same as Utah.
<b>Iowa</b>	

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<b>Kansas</b>	<p>In Kansas the Secretary of State’s office does not have the authority to prevent individuals such as the ones you have described from creating another business entity. However, our office would administratively dissolve an entity in response to a court order.</p> <p>The Kansas Department of Revenue has the authority to collect unpaid taxes through a variety of methods.</p> <p>When our office receives complaints of this nature we refer them to the Attorney General.</p>
<b>Kentucky</b>	
<b>Louisiana</b>	Louisiana is similar to Utah as well.
<b>Maine</b>	
<b>Maryland</b>	
<b>Massachusetts</b>	
<b>Michigan</b>	<p>The Michigan Corporations Division has no enforcement authority; if formation documents are submitted and conform to the requirements of the appropriate act then the document is filed.</p> <p>The Department of Treasury is responsible for administering the Michigan tax laws and for collecting delinquent tax debt.</p>
<b>Minnesota</b>	
<b>Mississippi</b>	
<b>Missouri</b>	Missouri is like Utah in this instance.

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<b>Montana</b>	<p>Montana is basically the same as Utah.</p> <p>The only time that we would have any part in tax issues is if a company wishes to reinstate they must provide a tax clearance certificate from the Montana Department of Revenue for us to process the reinstatement. If they are withdrawing, a tax certificate is also required.</p> <p>We may suspend their corporate status if they are in arrears with the MDR, but only upon notification from the MDR.</p> <p>If a company was administratively dissolved, and wants to file as a new entity with this office, they could.</p> <p>Tax issues belong to MDR and the Attorney General.</p>
<b>Nebraska</b>	
<b>Nevada</b>	<p>Nevada is similar to Utah in that we do not have the authority to reject a filing for possible debts owed to another taxing agency. However, we do have the authority to go after the entity for back fees and penalties owed to our Division with the potential of a \$10,000 penalty for doing business in Nevada without maintaining active status and a State Business License. We would also cooperate with another licensing authority in this state with an investigation into evasion of other fees, and depending on the nature of the investigation could issue interrogatories on the entity with a potential revocation of entity status for failure to respond to the interrogatories. This is a fairly recent provision that has been rarely used.</p>
<b>New Hampshire</b>	
<b>New Jersey</b>	
<b>New Mexico</b>	
<b>New York</b>	
<b>North Carolina</b>	<p>North Carolina is the same as Utah.</p>
<b>North Dakota</b>	

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<b>Ohio</b>	Ohio is just like Utah for this situation.
<b>Oklahoma</b>	
<b>Oregon</b>	See Additional Comments Below
<b>Pennsylvania</b>	
<b>Rhode Island</b>	<p>Does your agency have authority to prevent governing people from opening another business when significant tax debts are owed? <a href="#">No</a>.</p> <p>Is it purely a civil action between the taxing authority and the business? <a href="#">Typically, yes. However, Taxation can proceed with a Forfeiture action that requires our office to issue a Certificate of Forfeiture to a corporation for failure to remit 2-years of corporate tax. This is a cease and desist order until the full tax has been paid. The Tax Administrator can also request our office to begin Revocation proceedings for failure to remit tax.</a></p> <p>What agency has authority to “collect” the outstanding tax debts? (Revenue, Attorney General, Civil Action,?) <a href="#">Revenue and Attorney General</a>.</p> <p>Does your agency refer these activities for other agencies or legal jurisdictions to enforce? <a href="#">N/A</a></p> <p>Any insight to how your state would handle this situation is appreciated. <a href="#">A business corporation, LLC, and LP must produce a letter of good standing (LOGS) from the Division of Taxation in order to merge or convert to a non-Rhode Island entity, cancel, dissolve or withdraw. A LOGS must also be remitted as part of a Reinstatement filing.</a></p>
<b>South Carolina</b>	
<b>South Dakota</b>	
<b>Tennessee</b>	

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<b>Texas</b>	Ohio is just like Utah for this situation. Ditto for Texas. There was legislation introduced many years ago that would have required SOS to check the persons listed on a formation document to determine whether they had been involved with any entity that had been previously forfeited for nonpayment of taxes. It failed to pass.
<b>Utah</b>	In Utah those types of businesses are the responsibility of the taxing agency. Our function is to register businesses and each one is a new entity not responsible for the old debts. Having said that, it sure would be nice if we could help. The only time we get involved is to administratively dissolve for non-payment of taxes, but the tax commission has to notify us before we do so.....
<b>Vermont</b>	
<b>Virginia</b>	
<b>Washington</b>	
<b>West Virginia</b>	
<b>Wisconsin</b>	
<b>Wyoming</b>	

**Additional comments:**

**OREGON:**

We don't have any abilities on this score, but we're interested in what we can do. In answer to your questions:

Does your agency have authority to prevent governing people from opening another business when significant tax debts are owed? [No. We don't have any interaction with taxing agencies at the business registry.](#)

Is it purely a civil action between the taxing authority and the business? N/A

What agency has authority to “collect” the outstanding tax debts? (Revenue, Attorney General, Civil Action, ?) Not sure. Revenue and AG, at least.

Does your agency refer these activities for other agencies or legal jurisdictions to enforce? We don't alert them, if that's what you mean.

Any insight to how your state would handle this situation is appreciated. I think my state would be very leery of putting road blocks to people starting businesses. Say someone's a beneficial owner in a particular company that owes taxes. Should they be prohibited from any other business entrepreneurship until the tax mess (which may not be their fault or may be in dispute) is cleared up? We're effectively prohibiting people from getting money to pay their debts, like a de facto debtor's prison. I'm personally sympathetic to preventing "turn and burn" but I think it would be difficult not to cast too wide a net by preventing registration. It would be far better to go after them with tax laws and perhaps civil action creating an injunction, if necessary. Quite frankly, we don't even share the right information with taxing authorities. The names they have on the tax return aren't necessarily the ones we use. We don't have ownership info at all, nor is it clear that the bad guys accurately report who is a legitimate contact, since they have no interest in providing a paper trail.

Currently, the tax guys go after the people who owe taxes, regardless of other businesses they own. It would be interesting to create a notice in our records that shows there's outstanding tax debt, but we don't have that in place at this time. We do file Revenue warrants in the UCC program, where the state Department of Revenue says they have a lien for back taxes, but there's no connection with the business registration and the numbers are relatively few.

### **Full text of email:**

Hello everyone,

Our friends at the Washington State Department of Revenue have a question about enforcement for companies that build large tax debt and/or liability, close, then members or governing people open a new entity and resume duplicate business practices building new debts. Many names have been mentioned like “turn and burn, or churning”.

Does your agency have authority to prevent governing people from opening another business when significant tax debts are owed?

Is it purely a civil action between the taxing authority and the business?

What agency has authority to “collect” the outstanding tax debts? (Revenue, Attorney General, Civil Action, ?)

Does your agency refer these activities for other agencies or legal jurisdictions to enforce?

Any insight to how your state would handle this situation is appreciated.

Patrick

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