

Increasing Registrations for Delinquent Business Licenses in Kansas City, Missouri

Bo McCall, Aaron Dispenza and Trent Mordhorst

Overview

This random control trial, with the Revenue Division of the Finance Department and the Office of Performance Management in the City of Kansas City, Missouri and the Behavioral Insights Team, tests the impact of sending different versions of a delinquency notice to the City's business license customers that are delinquent in their annual business registration.

A business operating in Kansas City, Missouri must obtain an occupational license each calendar year. This requirement applies to business entities regardless of their size or composition: corporation, partnership, association, company, individual, or any other type of business arrangement.

The City sends out delinquency letters three weeks to one month after the annual registration filing deadline of February 28th to business license customers that have not registered their business. Business license customers that still have not obtained an occupational license after receiving a delinquency letter then receive a series of other mailed notices (including a notice of assessment and 10-day letter) until they have registered their business. Business license customers that have still not registered after receiving these follow-up letters are referred to the City's Law Department or an outside collection agency.

The goal of this trial was to increase business license registration rates after a customer has received their first delinquency letter. Sending out the series of subsequent late registration letters following the delinquency letter are costly and time-consuming for both the City (i.e., mailing expenses, staff time, etc.) and the business license customer (i.e., increased late registration fees).

In 2017, delinquency letters were mailed to 13,066 business license customer accounts out of 26,348 accounts. 1,862 out of 13,066 delinquent accounts moved into compliance as a result of receiving the delinquency notice. This raised compliance of business license registrations from 51% to 58%. Therefore, the delinquency notice had a 14.3% success rate.

Finance staff members modified a version of the current delinquency letter by incorporating the principles of plain-language training they received in the Spring of 2017. The Plain Language training was a day-and-a-half workshop designed for state tax administrators offered by the Federation of Tax Administrators. After the 2018 filing deadline, delinquent business license customer accounts were randomly assigned into one of two groups: the current delinquency letter group and the plain language delinquency letter group. 6,307 customers received the current delinquency letter and 5,765 customers received the delinquency letter modified with plain language.

The trial began on March 21, 2018. The results are from data collected as of May 17, 2018.

Results

The plain language business license delinquency letter had a significant effect on business registration compliance and was more effective in increasing compliance than the currently worded business license delinquency letter.

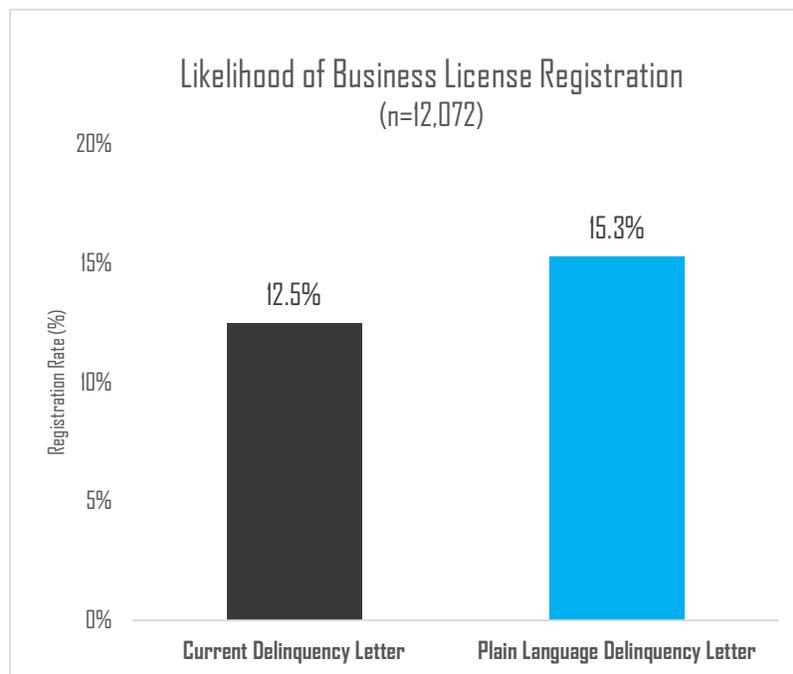
There was a **2.8% statistically significant increase in registration** for business license customers that received the plain language delinquency letter over the current delinquency letter.

Business license customers who received the plain language letter were **22% more likely** to register than customers who received the current delinquency letter.

Figure 1: Number of New Business License Registrations

Control Group (Current delinquency letter) – Number of New Registrations	Treatment Group (Plain language delinquency letter) – Number of New Registrations
788 (6,307 letters sent out)	881 (5,765 letters sent out)

Figure 2: Business License Registration Rates



Appendix

Control Group Letter



Finance Department

Revenue Division

2nd Floor, City Hall
414 East 12th Street
Kansas City, MO 64106-2786

Phone: (816) 513-1120
Fax: (816) 513-1077
Email: revenue@kcmo.org
kcmo.gov/kctax

Letter Id:
Date: 03-Apr-2017
Account Id:



THIS IS NOT A BILL

The Revenue Division has not received tax return information for the period stated below. It is important that you respond to this notice within 30 days to avoid further action. If you previously filed a return for the period, please contact our office at the phone number or email address listed above. If you have not filed a return for the period, please do so immediately.

Form Type	Account Type	Account ID	Period Begin Date	Period End Date
RD-105	Business License		01/01/2017	12/31/2017

§ 40-12 (a) of the City of Kansas City, Mo. Code of Ordinances imposes a penalty on returns that are received after the due date of 5% per month of the tax due (up to 25%). Additional penalties and interest may apply based on the amount of tax due with the return.

Please check the appropriate box, or boxes, below and return this notice together with any supporting documentation:

- Return already filed - please send a copy of the return along with any payment made (include copies of the front and back of cancelled checks)
- No longer liable to file this return - please provide the date and reason for this change below and submit supporting documentation

If none of the above circumstances apply, to resolve this issue you need to complete Form RD-105, Bus. License Return for the period stated and submit with payment for the amount due, including applicable penalties and interest.

Please note that Form RD-105 can be filed online via Quick Tax at kcmo.gov/quicktax. You may also download Form RD-105 at kcmo.gov/kctax and submit the form to: PO Box 843322, Kansas City, MO 64106-2786.

Visit kcmo.gov/quicktax to view the status of your account and for online filing.



Treatment Group Letter



Finance Department

Revenue Division

2nd Floor, City Hall
414 East 12th Street
Kansas City, MO 64106-2786Phone: 816 513-1120
Fax: 816 513-1075
Email: revenue@kcmo.org
kcmo.gov/kctax

NOTICE OF RETURN DUE

Why Did I Receive this Notice?

We did not receive your tax return.

Please file Form RD-105, *Annual Business License Application*, for the period ending December 31, 2017.

How do I File?

- Online at kcmo.gov/quicktax, or
- Download Form RD-105 at kcmo.gov/kctax and submit to: PO Box 843322, Kansas City, MO 64106-2786. Be sure to include payment for the amount due, including penalties and interest.

Return(s) and payment must be received by <Due Date> to avoid a bill for taxes due.

I Already Filed This Return. What do I need to Provide?

- Copy of the return
- Check number and date payment cleared your bank

I'm not Required to File This Return. What do I need to do?

Please provide the date and reason for this change below and submit supporting documentation.

Effective Date ____ / ____ / ____ (MM/DD/YYYY)

Reason _____

Do I have to Pay Penalties and Interest?

Returns received after the due date are subject to a penalty of 5% per month of the tax due (up to 25%). Additional penalties and interest may apply based on the amount of tax due with the return.

Questions?

Call 816-513-1120 or email revenue@kcmo.org.

Visit kcmo.gov/quicktax to view the status of your account and for online filing.

