

An Interview With Alabama Revenue Commissioner Vernon Barnett

by Bruce P. Ely



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Vernon Barnett is the Alabama revenue commissioner. Before his appointment, he served as executive counsel at the Alabama Department of Environmental Management, managing its external relationships.

Ely talks to Barnett in this edition of *Across State Lines*, getting a perspective on the newly appointed commissioner's plans for the Department of Revenue and anticipated interactions with the business community.

Bruce Ely: Given your years of service with the Alabama Department of Environmental Management, and before that, with the Department of Corrections and Office of the Attorney General, what convinced you to accept [Republican] Gov. Kay Ivey's appointment as revenue commissioner?

Vernon Barnett: It has been a pleasure to serve the people of Alabama in a variety of roles for over 20 years, and I was very excited by the prospect of working for Gov. Ivey.

The Alabama Department of Revenue has long been one of the state's premier agencies. My assessment, borne out now by experience, was that the department had a strong staff of very capable career employees. I believed from the

outset that together we could form a strong team that could position the DOR to effectively meet the challenges facing all state revenue departments in administering 20th century tax systems in the everchanging 21st century economy. After only a few months, I believe that we are on track, and I look forward to building on the strong foundation set by those who came before me.

I was honored to even be considered for the position, much less to have been granted such an opportunity.

Ely: What are some of your top priorities as our new revenue commissioner?

Barnett: Keep in mind that I've only been on the job for a few months, so my priorities are still developing. But one of the issues that became clear soon after I started my work at the department is the importance of our relationship with local government. I understand that the department has worked in recent years to improve that relationship, and I intend to continue that work. The reason we need a great relationship with local government is that they are co-tax administrators with us in Alabama with the authority to administer their own taxes. With that bifurcated system comes complexity, and in order to improve Alabama's tax system for taxpayers and tax administrators, we need local government's help. I want to take the friction out of tax compliance, and any initiative aimed at that goal must be a collaborative state and local effort.

We are also in the process of reviewing all of our administrative rules to ensure that they are straightforward and provide clear guidance to taxpayers. As part of this comprehensive review, we will be amending numerous rules over the next year to provide more clarity.



Vernon Barnett

Ely: What are the major issues facing the DOR today? What are the key initiatives the DOR has undertaken under your watch to address these challenges?

Barnett: The intersection of fraud and technology is a challenge facing every large organization today. It is mission-critical at the DOR and requires a tremendous commitment of our time, attention, and fiscal resources.

Department efforts in recent years to combat identity theft related to refund fraud have helped us catch up to that problem, but those efforts have put a strain on our IT systems and have taken resources away from other areas. We have to continue to deal with refund fraud while we also address technology-related fraud in other areas, including the growing concern of software-enabled sales tax evasion.

To help deal with that form of sales tax fraud, I have asked our people to form a cross-divisional dedicated group that can take information from a variety of sources, identify likely cases of fraud, and then directly run those cases to ground. The criminals use technology to commit fraud. We

must effectively use technology to prevent and pursue fraud.

From the other direction, we must protect the information entrusted to the DOR. The Equifax breach has been headline news for weeks. Like Equifax, the department's systems are a high-value target for cybercriminals. We must, therefore, prioritize computer security. That means we invest in updated hardware and software. But more importantly, it also means we educate our people on the human element of computer security — email habits, password security, etc. — so that we avoid making a mistake that gives criminals the keys to the kingdom.

Another issue that is an obvious priority is dealing with staffing shortages. The department struggles to find qualified applicants for our open examiner (accountant) and IT positions. This is an issue at businesses across the board, but particularly in state government — where we are limited in our ability to compete with the private sector when it comes to compensation. In partnership with our universities across the state, I have initiated an internship program designed to attract accounting majors in their junior and senior years of study. We are just starting, but we believe that this program will give us the opportunity to reach students who may otherwise be unaware of the opportunities here at the department, and our hope is that they will be interested in working with us after graduation. This model has worked well in other parts of state government, and we are optimistic that it will work well for us, too, as we look forward to welcoming our first class of interns in the spring of 2018.

Ely: The department has had a difficult relationship at times with some key legislators and business leaders. You have a reputation for diplomacy and knowing your way around the halls of the Statehouse quite well. How do you plan to approach those who may be skeptical of the DOR? Do you plan to advocate any tax legislation next spring when our 2018 regular session convenes? If so, could you give our readers a brief summary?

Barnett: Over the course of my career, I have spent a great deal of time in lobbying and government relations, often as an intermediary between government and the private sector. I am,

therefore, just as comfortable working with elected and appointed officials as I am business interests. Having long-standing relationships across government and the private sector is a tremendous benefit in working through the complex issues that often arise during the day-to-day process of governing.

I often refer to myself as a “big tent” person. I like to have everyone at the table upfront, build broad consensus, and then move forward. It is critical that all angles of an issue be carefully considered upfront, because it is only then that lasting solutions can be crafted and implemented.

I have fully committed to the governor and legislative leadership that any changes to our tax structure will be made through the legislative process. I have also committed to various private sector groups that we will not try to introduce legislation affecting them without engaging them ahead of time. The goal in this is certainty: no surprises for our business community or our citizens.

At this time, I don’t foresee any major tax initiatives in the coming session.

Ely: The perennial mandatory unitary combined reporting (MUCR) bill generates a lot of angst among the multistate community, business groups, and industrial recruiters — and a lot of work for our lobbyists. Will the department support the bill if it’s introduced again next spring?



Barnett: No, we will not. The administration and legislative leadership have made clear that MUCR will not be adopted in Alabama.

Ely: What is the condition of the Alabama economy and state revenues?

Barnett: I am delighted to report that the economy is improving based on record-low unemployment numbers and a steady increase in state revenues for 2017. The latest numbers reflect 4.2 percent unemployment, and we have a 4.46 percent revenue increase for fiscal 2017 compared with fiscal 2016. The economic forecast in Alabama is definitely looking up.

Ely: In closing, is there a message that you wish to convey to the multistate business community and us tax practitioners?

Barnett: The 21st century has brought us many complex challenges and opportunities. It will take strong communication, patience, and cooperation to meet these challenges and move forward. We all, therefore, need to be around the same table engaging in meaningful dialogue — especially when problems arise.

If you do business in Alabama or you want to do business in our state and you have questions or concerns, contact us. Let’s get around the table and see if we can work it through. We may not all be able to get everything we want, but I believe we will find that we will be able to get what we need most of the time by working things through. If we can, we are all better for it. ■

