November 8, 2011
Joint Fiscal Committee

Tax Computer System Modernization Fund
Modernized compliance projects dramatically reduce tax gap and 80% of the net receipts fund modernized efficiencies in tax processing.

Overview
- Original four-year in-house non-filer program funded first phase of cutting edge enterprise tax management (ETM) platform.
- Transitioning to vendor data warehouse to fund additional implementation towards goal of retiring the Department's legacy processing systems.

Tax Processing Systems Circa 2010
- 1980 mainframe: corporate income tax, 22 miscellaneous taxes
- 1998 advantage revenue: personal income tax, business trust taxes
- 1998 CACS-G: collections

2007-2011 Department of Labor Non-Filer Program/Oracle ETM Purchase
- Matching DOL data brings over 7,450 non-filers into compliance
- $12.3M in taxes, interest and penalties
  - $3.5M (20%) to GF
  - $7.8M fixed price contract Oracle ETM platform, conversion of corporate and collection processing
  - $2M forward to support new data warehouse, ETM upgrade in FY12
- ETM went live in fall of 2010
  - Corporate return processing 11 months (from 18 months); CACS-G retired
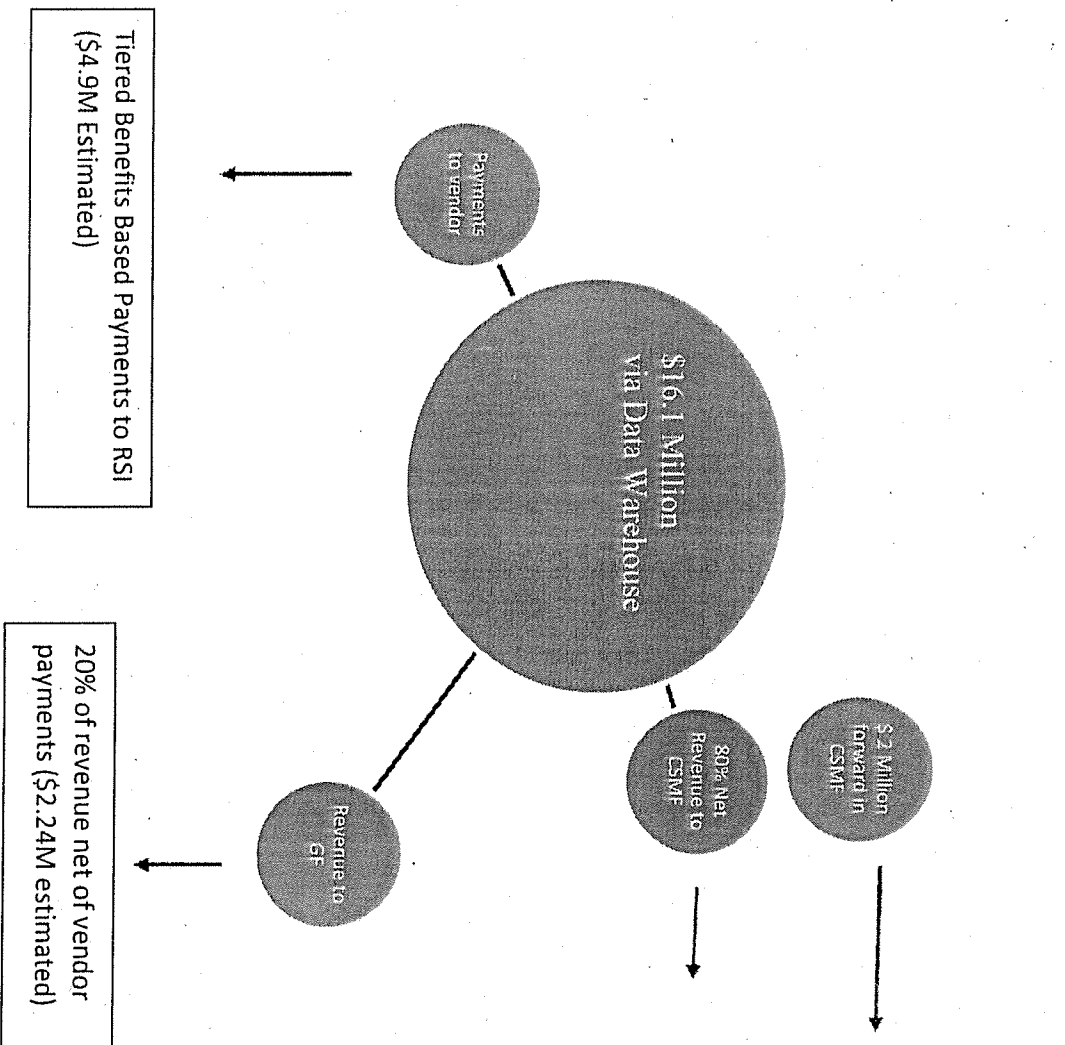
2012-2016 Data Warehouse Program/ETM Upgrade FY12
- RSI brings best practice from numerous other states, Discover Tax Software
  - non-filer, refund review, audit selection, collection scoring, filing discrepancies
- Live in January 2012
- est. $16.1M through 2016
  - est. $4.9M in tiered benefit based payments to RSI
  - est. $2.24M to GF through 2016
- Expenditures towards data warehouse
  - DII equipment purchases ($316,000 plus annual)
  - DII telecom, including additional ACD lines and recording ($85,000)
- Expenditures toward ETM upgrade
  - Oracle service contract pending recruit of 3 IT FTEs
  - DII equipment purchases (est. $300,000 plus annual)
  - Technical upgrade to latest version of ETM (est. $300,000)

Next Steps Towards Retiring Legacy Tax Processing systems
A functional upgrade in FY13 will implement the latest features of ETM. The Department will consult with DII to review the current ETM plan for other tax types, as well as alternatives, and return to the legislature in 2013 session for next appropriation.

Tax Computer System Modernization Fund
Present State after Passage of Act 63 of 2011

Payments to vendor

$16.1 Million via Data Warehouse

$2 Million forward in CSMF

80% Net Revenue to CSMF

Revenue to GF

Tiered Benefits Based Payments to RSI ($4.9M Estimated)

20% of revenue net of vendor payments ($2.24M estimated)

Note: $7.5M appropriation to Tax Department through FY13 includes vendor payments under data warehouse contract

- ❖ System Enhancements to Further Data Warehouse
  - o DII equipment purchases to support data warehouse ($316,000 plus annual)
  - o DII equipment purchases to support technical upgrade (est. $300,000 plus annual)
  - o DII telecom, including additional ACD lines and recording ($85,000)
- ❖ ETM Upgrade
  - o Oracle service contract pending recruitment of 3 IT FTES
  - o Technical upgrade to latest version of ETM (est. $300,000)
  - o Functional upgrade to implement newest features of ETM (est. $300,000 FY13)
- ❖ Next Steps Towards Retiring Legacy Processing Systems
  - o In FY 13, consult with DII to review current ETM implementation plan for other tax types and alternatives
  - o Return to Legislature 2013 session with plan and request for appropriation from fund for FY14 through FY18 sunset