

Strategic Roadmap for Enforcement



2008 FTA Annual Meeting
Philadelphia, PA

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Agenda



- Strategic Planning
- Decision Analytics – the Cornerstone
- Voluntary Compliance – Program Methodology
- An Example: Business Use Tax Program
- Lessons Learned

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Strategic Planning Process



- Leveraged Consultant Experience
- Used Balanced Scorecard Methodology
- The Organizational “Magnifying Lens”
 - Grow the Pie
 - Slim the Slice
 - Reduce the Cost Per Dollar Collected
- Paved the Way for Department Roadmap

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Use of the Balanced Scorecard

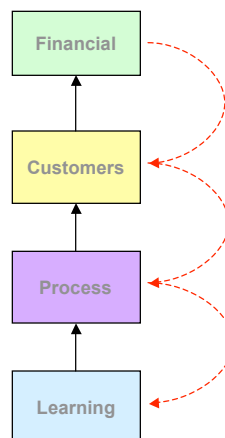


Collect more taxes due at a lower cost per dollar collected

Improved voluntary compliance

Ease taxpayers burden to comply and improve internal processes

Increase understanding of taxpayer actions and best compliance treatments



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Enforcement Planning Cycle



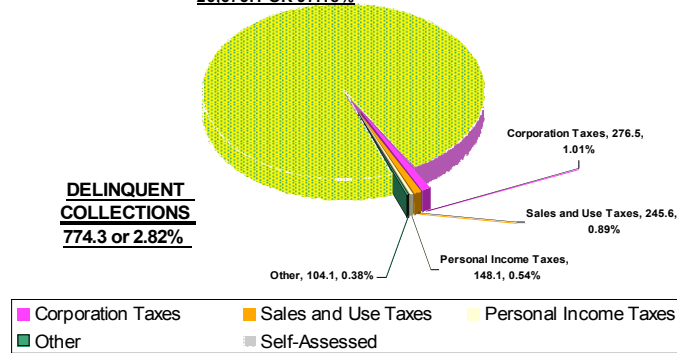
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Voluntary Compliance – 97%

Delinquent Collections as a Part of Total General Fund Revenues (in \$Millions) FISCAL YEAR 2006-07

VOLUNTARY OR SELF-ASSESSED COLLECTIONS
26,675.1 OR 97.18%

DELINQUENT COLLECTIONS
774.3 or 2.82%



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We Want to ...



- “Grow the Pie” – Increase voluntary compliance
- “Slim the Slice” – Decrease the requirement for delinquent collection
- Lower the Cost (per dollar collected)

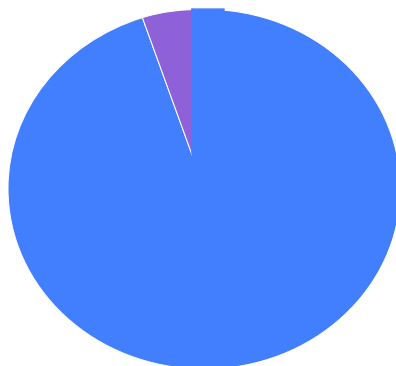
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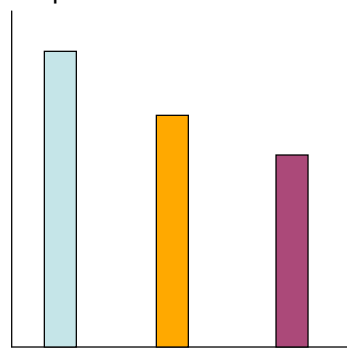
Revenue's Bottom Line



TAX REVENUE



COST PER
\$ COLLECTED



FY06-07 FY07-08 FY08-09

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Strategic Planning Milestones



- 2004 Building Enforcement Roadmap
- 2005 Prioritizing Caseloads – Quick Wins
- 2006 Selecting Priority Outcomes
Dedicated Enforcement Program
Funding in the Budget
- 2007 Objectives to Achieve Outcomes
- 2008 Agency-Wide Revenue Roadmap
Business and System Modernization
Identify “Success” Indicators

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Decision Analytics



- Vendor validation
 - “Tax Departments across the country are utilizing decision analytics for business decision making”
- Integrating decision analytics with stimulating voluntary compliance (SVC)
- Right treatment at the right time for the right taxpayer – (RT)³

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Decision Analytics – In Action



- Delinquent Collections prioritization
- Keystone to Collections – selecting the best cases to lien
- Bankruptcy workflow – which cases to review?
- Audit – desk and field case selection
- Measurement – performance reporting in all enforcement program areas

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Stimulating Voluntary Compliance



- Enforcement Roadmap provided outcome strategies consistent with voluntary compliance
- Reinvesting some of the resources currently expended on direct compliance initiatives
- Separate Tax Enforcement Programs are successful, yet tax gaps appear to be growing
- Indirect efforts can reach far more taxpayers

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SVC Methodology



- **Focused** - Proposal to shift resources and emphasis
- **Proactive** - Improved knowledge increases compliance and collections
- **Coordinated** - Every Department function will play its role in a voluntary compliance program
- **Perceived Risk** - Continued direct compliance threat reinforces voluntary compliance

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Example – Business Use Tax



- A first example of Stimulating Voluntary Compliance (SVC)
 - Key Budgetary investment
 - Aligned with Enforcement Roadmap
- Program Description
 - Increasing importance of Use Tax
 - Audits is the “Window to Taxpayer Behavior”
 - Compliance Dilemma – Most businesses owe but most do not pay Use Tax

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“Pay Fair Share” Proposition



Price Quotes for New Office Furniture

Qty	Description	Unit Price	ABC Office	XYZ Office
			Direct Baltimore, MD	Products Allentown, PA
1	Executive Desk Set	\$1,800	\$1,800	\$1,800
6	L - Shape Desk Sets	\$850	\$5,100	\$5,100
1	Leather Chair	\$650	\$650	\$650
2	Hideway Chairs	\$200	\$400	\$400
6	Desk Chairs	\$300	\$1,800	\$1,800
	Freight		\$350	\$250
	Tax		\$0	\$600
	Total		\$10,100	\$10,600

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Recent Use Tax Audit Results



- Analysis by size and industry conducted to review Use Tax non-compliance
- Do audited businesses owe use tax? **YES**
- Do they owe a significant amount? **YES**
- The non-compliance merited a specific Voluntary Compliance Initiative.

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Program Plan by Segment



- Move systematically through selected segments
- **Phase 1:** Outreach/Education with business taxpayers and associations
- **Phase 2:** Opportunity for voluntary compliance - Letters directly mailed to the entities
- **Phase 3:** Enforcement (Field Audits)
- Analysis and refine/continue program

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Business Use Tax Program Results



- Over 400,000 notices to businesses
- \$39M collected since November 2005
- Over \$48M in additional voluntary Use Tax reported (in FY 2006-07)
- Over 16,800 new Use Tax accounts (changed taxpayer behavior produces future additional collections)

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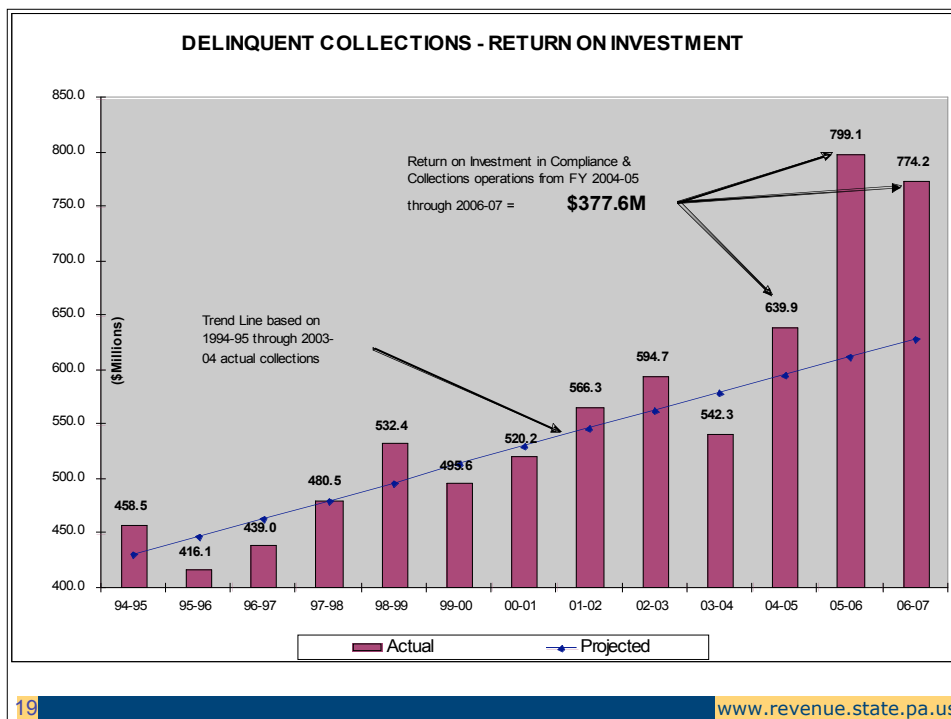
“Lessons Learned”



- A tax compliance strategy for good times and bad
- A shift in message away from only \$ - focus on changing taxpayer behavior
- Align resources and funding with strategy
- The Voluntary Compliance Initiatives will
 - Reinforce compliant taxpayer behavior
 - Non-compliant taxpayers pay “fair share”
 - Level the playing field for your businesses

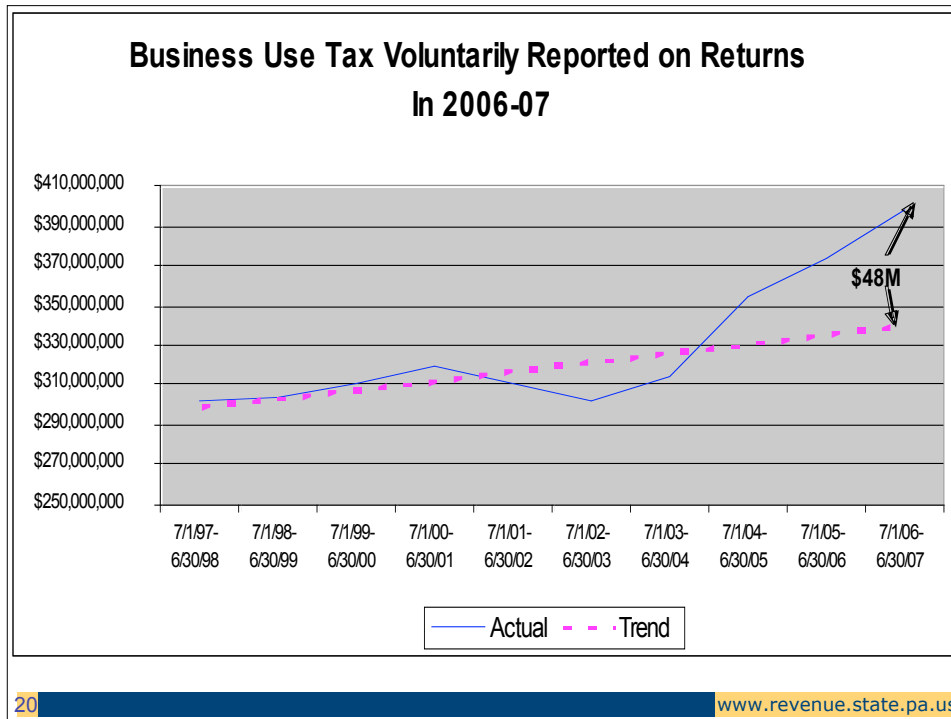
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▶ Other C&C Successes



- PA Tax Delinquent List ✓ \$70.0M collected and promises to pay
- Cigarette Voluntary Compliance Initiative ✓ \$18.0M collected and promises to pay
- Act 46 Citation ✓ \$45.2M collected, only 4.2% of 28,448 taxpayers cited
- Act 40 Collections Fee Recoupment ✓ \$5.8M recovered for the Commonwealth

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