

# AMS State & Local Government Solutions

## Taxpayer of the 21<sup>st</sup> Century

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## Agenda

- The 21<sup>st</sup> Century Taxpayer Project
- General Findings
- Characteristics of the 21<sup>st</sup> Century Taxpayer
- Implications for Tax Administrators
- Questions



## The 21<sup>st</sup> Century Taxpayer Project

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### Objective

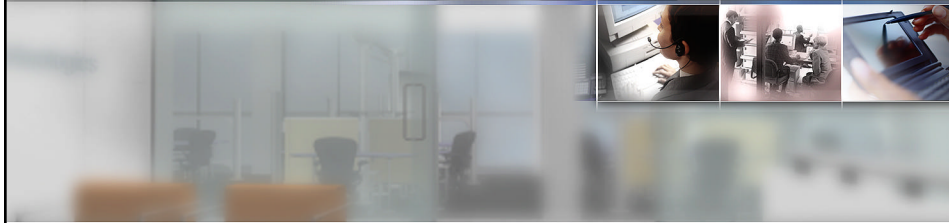
- Develop a profile of business and individual taxpayers and their expectations of tax agencies at the start of the 21<sup>st</sup> Century
- Illuminate the challenges tax agencies will face as the 21<sup>st</sup> Century begins

## Data Gathering Process

- Interviews and focus groups
- Sources
  - CPAs
  - CFOs and CEOs
  - Entrepreneurs
  - Individual Taxpayers
- Process was facilitated by a firm that specializes in such research

## Context

- Emergence of the internet as a tool for electronic commerce
- Demographics will drive service expectations
- Government must deliver across traditional and new channels



## General Findings

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## General Findings

- **Disappearing**  
*The worker who collects a single paycheck from a single employer*
- **Changing**  
*Small business profile, transaction complexity is increasing*
- **Planning**  
*Accountants are increasingly become planners while software drives tax preparation*



## Characteristics of the 21<sup>st</sup> Century Taxpayer

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## Characteristics of the 21<sup>st</sup> Century Taxpayer

### Five Characteristics

- *small is complex*
- *rising tide of customer expectations*
- *disappearance of boundaries*
- *information available—and private*
- *distrust of government*

## Characteristic #1: Small is Complex

- **Complex profile**  
*Americans have an increasingly complex financial profile*
- **Diversity**  
*They enjoy much greater diversity in their income and assets*
- **Sophistication**  
*The sophistication gap is closing—small businesses have the same demands as large ones*

## Characteristic #2: Rising Tide of Customer Expectations

- **Savvy customer**  
*Individuals and small businesses make full use of tax code advantages—and complexity*
- **e-Service**  
*The e-commerce world of Schwab and Amazon will force a revolution in tax agency business*
- **The right value-add**  
*Use technology for low value-added services like providing basic information. Then, they can spend human resources on the high value-add*

### Characteristic #3: Disappearance of Boundaries

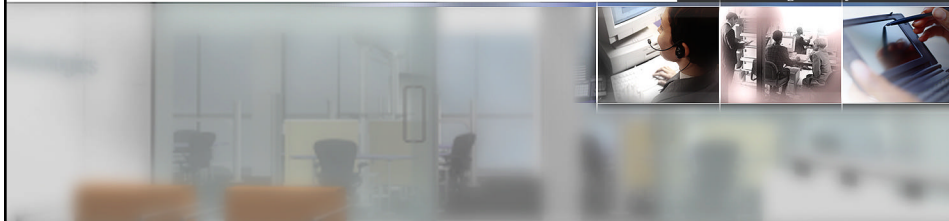
- **Crossing lines**  
*Transactions increasingly will take place on a multi-jurisdictional basis*
- **“New” old transaction types**  
*Consumer-to-consumer sites are marketplaces, with transactions that are difficult to monitor*
- **Sales records shifting**  
*Electronic cash transactions make sales data more difficult to track*
- **The mobile worker**  
*Taxable income from many jurisdictions, reported to many taxing authorities*

### Characteristic #4: Information Available

- **Security**  
*Some worried about hackers breaking into accounts*
- **Control**  
*Appropriate access to data*
- **Privacy**  
*Fear that private data might be used for purposes for which it was not provided*

## Characteristic #5: Distrust of Government

- **Intermediaries**  
*General preference for using CPAs and software to deal with government*
- **Clear, fast response**  
*Slow response times and lack of transparency aggravate established attitudes*
- **People will pay their taxes**  
*But they want full access to information and a fast, easy transaction*
- *"I trust my bank but not the government."*



Implications for Tax Administration

## **A Changing Landscape**

- Taxpayer/tax preparer/tax administrator relationship will change
- Ease of data transfer fuels security and privacy concerns
- Taxpayers have begun focusing on more complex transactions
- Revenue agencies will be measured by the best the private sector has to offer

## **Imperatives for Tax Administrators**

- Adapt and transform themselves constantly—at Internet speed
- Become as flexible as the economy and people they serve
- Commit to complete transparency and more information
- Guard data privacy
- Provide enterprise-wide data and service through accessible portals
- Work with other agencies to provide one-stop shopping for government services

## Near-Term Needs that Require Action

- Collaborate  
*Explore cooperating across borders and agencies to make compliance easier*
- Keep pace with change  
*Ongoing investment in training and education*
- Disseminate data  
*Expectation changes for job skills and training*
- Inform and influence policy  
*Provide decision makers with high-quality information to inform public policy-making*
- Adopt technological innovation  
*Toolsets must be designed with flexibility and follow-on in mind*

Questions?