

*Welcome*



to

Individual Income Tax Web Filing –  
Our Experience  
and  
Why We Killed It

MINNESOTA • REVENUE

**Department of Revenue**

Cynthia Rowley  
Tax Operations

Greg Tschida  
Office of the CIO

MINNESOTA • REVENUE

## Agenda

- **Background**
- **Web Filing Options**
- **The Big Problem and Solution**
- **Our Results**
- **A Second Look**
- **Tough Decisions**
- **What's Next**

3

MINNESOTA • REVENUE

## Background

- **In 1999 we began the design of the processes that would help us reach the targets in our Income Tax Reengineering project.**
- **Web filing was a key element in meeting some of the targets.**
- **Web filing supported the State's and Minnesota Department of Revenue's stated strategic directions for:**
  - Self Service
  - Electronic Filing

4

MINNESOTA • REVENUE

## Web Filing Options

- **Key and Send**

- Essentially an electronic paper return.
- Simple calculations
  - Add/Subtract
  - Tax calculation
- Relatively easy to build and maintain.
- Taxpayer would have the option to send information electronically or print and mail.
- Limited value for Taxpayer and MnDOR.

5

MINNESOTA • REVENUE

## Web Filing Options

- **Return Preparation Application**

- Build the return based on the data entered.
- Performs all needed calculations based on the taxpayers situation.
- We could build in edits where needed.
- Complicated to build and maintain.
- If done well, the return data would be much more accurate than a data entered paper return.
- High value for Taxpayer and MnDOR.

6

MINNESOTA • REVENUE

## Direction

- **Our preferred method was a Return Preparation application.**
  - But:
    - Too costly
    - Too Difficult to Create and Maintain.
- **We chose to pursue a Key and Send web file.**
  - Build in as may calculation and look-up features as was reasonable.

7

MINNESOTA • REVENUE

## The BIG Problem

- **The state of Minnesota has a law that requires a taxpayer to attach a copy of their Federal Income Tax return as part of their Minnesota Income Tax Return.**
  - The information is needed for:
    - Compliance activities
    - Tax Research and Policy Development
    - Financial and Budget Forecasting
- **No one felt that taxpayers would key in all their federal data.**

8

MINNESOTA • REVENUE

## Search for Alternatives

- **We worked with our Compliance folks and developed acceptable replacements for the federal return data they needed.**
- **We couldn't come up with an alternative to the Federal Return attachment that was felt to adequately replace the needed information for Research and Forecasting needs.**

9

MINNESOTA • REVENUE

## The Loophole

- **Tele-file returns were exempt from the federal attachment requirement.**
- **The more we explored it, the better we liked it.**
  - Simple returns – good type to start with
  - Known, but sizable population
  - By Invitation Only with PIN numbers in place
  - We could build a preparation application
- **If we call it Web Tele-file do we get around the fact that they might not be using a telephone?**

10

MINNESOTA • REVENUE

## Web Tele-file

- **Same population as Tele-file**
  - Taxpayer's choice.
- **Developed the application so that it followed same steps as regular Tele-file.**
- **Same PIN for either option, SSL on web.**
- **Same instruction booklet as Tele-file.**
- **The first year we had no publicity.**
  - We didn't even promote it prominently in the instruction book.

11

MINNESOTA • REVENUE

## Login Screen

Minnesota Department of Revenue, Telefile on the Web - Microsoft Internet Explorer provided by Minnesota Revenue

Address http://taxcenter.7000Mpa.com/90

MINNESOTA • REVENUE

HOME CONTACT HELP

### Welcome to Telefile on the Web

Thank you for using the Minnesota Department of Revenue's 24-hour Telefile system. To use the Telefile system, you must meet the Telefile requirements outlined in your Telefile booklet under the section "Can I Telefile".

The Telefile system will walk you through the filing process and calculate your return. After you have completed your return, the Telefile system will provide you a confirmation number and a report of your filing information. This information should be printed or written down to serve as proof of your filing.

To continue, please make sure you have all of your W-2's from jobs held January through December 2002 and you have reviewed your telefile worksheet. Within your Telefile booklet is a PIN number. This PIN number is required to enter the Telefile system. If you did not receive a booklet with a PIN then you are not eligible to Telefile and you must fill out Form M1. If you did receive a booklet and have lost it, please call [Taxpayer Assistance](#) for help.

**If you owe additional tax on your return, you will be subject to penalty and interest on any tax you pay after April 15, 2003.**

Your (taxpayer #1) Social Security number:  
(Other one the 3rd digit)

Spouse's (taxpayer #2) Social Security number:  
(Other one if you are filing jointly)

PIN number:  
(Your PIN is printed on the payment voucher on page 5 of the Telefile booklet that was mailed to you.)

You are entering a secure site. All information is encrypted and secure.

[Security Statement](#) | [Privacy Statement](#)

12

MINNESOTA • REVENUE

## Worksheet Screen

Minnesota Department of Revenue, Telefile on the Web Worksheet - Microsoft Internet Explorer provided by Minnesota Revenue

Address: D:\F\Software\w02\T\w02\Worksheet.html

### Minnesota Telefile Worksheet

**Name:**  
 SSN:   
 Date of birth (mm/dd/yyyy):   
 Spouse's name:   
 Spouse's SSN:   
 Spouse's date of birth (mm/dd/yyyy):   
 Address:   
[View and address changes](#)

Are you or your spouse a dependent?  You  
 Spouse

Could your parents, or someone else, claim you or your spouse as a dependent on their federal income tax return?  
 Yes  
 No

Are you a dependent?  
 Yes  
 No

Could your parents, or someone else, claim you as a dependent on their federal income tax return?  
 Yes  
 No

Please enter all of your W-2 information for you and your spouse. Please enter all of your W-2 information below. If you have more than W-2s, then you are not eligible to Telefile and you must file Form MT, either electronically or by paper. Click on the [sample W-2](#) to see an example with the information needed. You MUST round off all dollar amounts to the nearest whole dollar.

[Sample W-2](#) [Additional W-2s](#)

Federal filing status:  
[View and status changes](#)

Interest income:  \$  
 If in the total dollar amount from your 1099-INT form(s) or other statements. If your taxable interest income is more than \$, you cannot telefile.

Re-employment (unemployment) compensation:  \$ Payments received  
 If in the amount of re-employment compensation received in, and any Minnesota tax withheld, as shown on your 1099-G form(s).  \$ MN tax withheld

State Elections Campaign Fund:  \$ You  
 If you want \$ to go to help candidates for state offices pay campaign expenses, select your party. This will NOT increase your tax or reduce your refund.  Spouse

State Elections Campaign Fund:  \$  
 If you want \$ to go to help candidates for state offices pay campaign expenses, select your party. This will NOT increase your tax or reduce your refund.

Nongame Wildlife Fund:  \$  
 If you want to contribute to this fund, your donation will reduce your refund or increase the amount you owe.

(Continue will calculate your taxes. Please allow up to 1 minute for processing.)

13

MINNESOTA • REVENUE

## Worksheet Totals

Minnesota Department of Revenue, Telefile Worksheet Totals - Microsoft Internet Explorer provided by Minnesota Revenue

Address: D:\F\Software\w02\T\w02\WorksheetTotals.html

**You refund was calculated using the following values:**  
 Note: All values are rounded to the nearest dollar.

SSN:   
 Date of birth:   
 Are you or your spouse a dependent?  You  
 Spouse

State Elections Campaign Fund:

Federal filing status:

Interest income:	\$
Re-employment compensation - Payment received:	\$
Re-employment compensation - Minnesota tax withheld:	\$
Nongame Wildlife Fund:	\$

**Calculated Totals**

Federal Adjusted Gross Income:	\$
Minnesota Withholding:	\$
Federal and State Taxable Income:	\$
Minnesota Tax:	\$
Minnesota Working Family Credit:	\$
Minnesota Marriage Credit (for qualifying joint returns):	\$
<b>Total:</b>	\$

14

MINNESOTA • REVENUE

## Fan Mail

- **To:** DORWEB.COMM@state.mn.us
  - **cc:**
  - **From:** GREGG ----- <-----@yahoo.com >
  - **Date:** 01/27/2002 09:13:06 PM PST
  - **Subject:** EXCELLENT JOB
  
- I JUST THOUGHT I'D DROP A NOTE TO SAY HOW NICE IT WAS TO USE THE INTERNET TO TELEFILE. IT WAS MUCH NICER THAN USING THE PHONE. IT WORKED EXCELLENT. IT WAS DONE QUITE WELL. THANK YOU!
  
- GREGG -----

15

MINNESOTA • REVENUE

## Success

- **The first year we received over 13,000 returns.**
  - Without promotion.
- **Emails of praise.**
- **Very few phone calls.**
- **Good reporting.**
  - When
  - How long
- **Very easy to maintain**

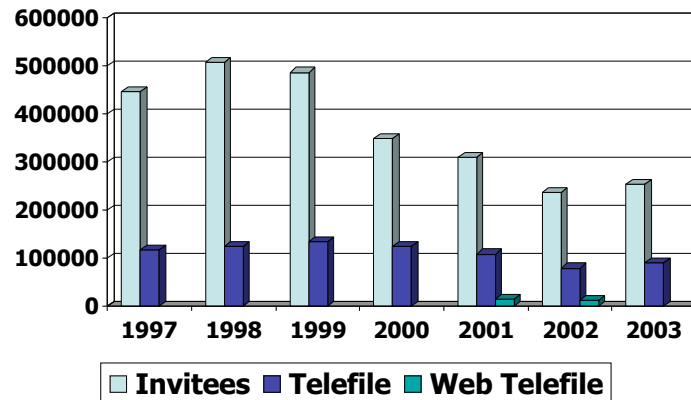
16

MINNESOTA • REVENUE

## So, Why Do We No Longer Offer It?

- **Volume Growth Slow**

Telefile Statistics by Tax Year



17

MINNESOTA • REVENUE

## Why?

- **Feds had nothing similar; since taxpayers already used the phone for their federal return, they used it for their state return, too**
- **The target population didn't file their own returns—parents or relatives did it for them, and they were more comfortable with paper or the phone**
- **Other free options were becoming available**
- **The Free File Alliance was attractive; software companies would offer the Minnesota return for free if we did not compete with our own web application**

18

MINNESOTA • REVENUE

## Things We Considered

- **We needed to make an informed decision regarding Telefile—phone and web. We considered:**
  - Our original belief that Telefile was an interim step in moving from paper to electronic filing
  - Cost to sustain the service—Web was inexpensive; phone was more costly.
  - How to best leverage our ever decreasing budget
  - Web filing future—to reach additional taxpayers we needed more functionality
  - Taxpayers wanted tax preparation software, not a “key and send” application

19

MINNESOTA • REVENUE

## ...and the decision was...

- **Stop offering Web Telefile in TY 2003**
- **Stop offering phone Telefile in TY 2004**

20

MINNESOTA • REVENUE

## Were We Nervous? Absolutely!

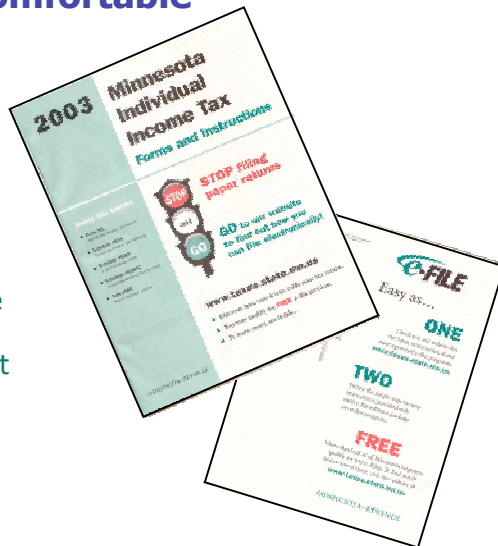
- We were counting on continued growth in electronic filing, and had scaled back our paper process in anticipation
- How would taxpayers react? Would we get complaints?
- Web Telefile was a success. It was one more way we had worked at achieving our strategic direction

21

MINNESOTA • REVENUE

## How'd We Get Comfortable

- We decided to aggressively market the Free File Alliance
  - We advertised it prominently in our tax booklet
  - We made it easy for taxpayers to choose the Alliance partner that was right for them, right from our own web site



22

MINNESOTA • REVENUE

INNESOTA • REVENUE

Home | Links | NorthStar | Press Releases | Other Languages | Site Help

Search  Entire Site  Search Tips

Forms and Instructions | Publications | e-FILE Minnesota | About Us | Contact Us

**Online software for filing income taxes**

The tax software below provides online filing of federal and Minnesota income tax returns. Select the form and software for each product and choose the one that's best for you.

Before you choose, there are a couple of things you need to know:

- You must use the same online software to file both your federal and state returns.
- Prices below are for basic online preparation and filing services only. Some companies offer additional services or upgraded packages for additional costs. Read the information on the company's website for details.

**Note:** Additional products will be listed as they become available.

**Information and costs to file federal and state returns**

**TaxACT**  
 Cost: \$7.95  
**Other offers:** For special price above, you must be a member of [Free File Alliance Companies](#) and select that company.  
**Filing format:** Online interview process.

**eSmart Tax**  
 Cost:  
 \$9.95 if adjusted gross income (AGI) is \$54,000 or less.  
 \$15.90 for 1040EZ filers if AGI is more than \$54,000.  
 \$22.90 for 1040 filers if AGI is more than \$54,000.  
**Filing format:** Combination online interview process and data entry directly on electronic forms.

**Note:** Must select "federal/state" filing combination and file both returns at the same time.

**TaxSlayer**  
 Cost: \$9.95  
**Other offers:** [Free filing available](#) to qualifying individuals.  
**Filing format:** Depends on user's tax situation. Online preparation is not available to all users. Some users may need to download software.

**TaxEngine**  
 Cost: \$19.95  
**Filing format:** Online interview process.

**H&R Block**  
 Cost:  
 \$19.95 if adjusted gross income (AGI) is \$34,000 or less.  
 \$19.95 if AGI is more than \$34,000.  
**Other offers:** To qualify for the special \$19.95 offer, you must go to the IRS's list of [Free File Alliance Companies](#) and select H&R Block.  
**Filing format:** Online interview process.

**eFile Express**  
 Cost:  
 \$20.00  
**Other offers:** Free filing of M1PR (properly filed) when filed at the same time as federal and state income tax returns.  
**See details.**  
**Filing format:** Download software and file directly on electronic forms. No interview process.

**CompleteTax**  
 Cost: \$29.95  
**Other offers:** [Free filing available](#) to qualifying individuals.  
**Filing format:** Online interview process.  
**Note:** Does not support part-year and nonresident filing.

**TurboTax for the Web**  
 Cost:  
 \$34.90 for 1040EZ filers.  
 \$69.90 for 1040 filers.

INNESOTA • REVENUE

Home | Links | NorthStar | Press Releases | Other Languages | Site Help

Search   Search Tips

Forms and Instructions | Publications | e-FILE Minnesota | About Us | Contact Us

Individual income tax > Online services

### Free online filing for qualifying individuals

The tax software below provides free online filing of federal and Minnesota returns to qualifying individuals. Read the eligibility requirements for each product and choose the one that's right for you.

Before you choose, there are a couple things you need to know: **...actual free file requirements**

- You must use the links below to receive the free filing offer. Do not go directly to the company's website.
- You must use the same online software to file both your federal and state returns.

**Online software for free filing**

**TurboTax for the Web** Requirements for free filing:

- Age 22 or younger in 2003, or
- Age 62 or older in 2003, or
- Served on active military duty in 2003 and have a military W2 form (includes Reservists and National Guard), or
- Eligible for the federal Earned Income Credit.

Filing format: Online interview process.  
If you choose this product, go to [www.taxfreedom.com](http://www.taxfreedom.com).

**Complete** Requirements for free filing:

Filing format: Online interview process.

**TaxBrain** Cost: \$39.90 for 1040EZ filers. \$59.90 for 1040 filers. Filing format: Online interview process. Note: Does not support part-year and nonresident filers.

**TaxCut for the Web** (from H&R Block) Cost: \$49.90 Filing format: Online interview process.

### Identified other electronic options available to the taxpayer

**If you have questions when filing your return**  
You must contact the customer support area for the product you're using. Software companies provide these services, not the Minnesota Department of Revenue. The Department of Revenue does not endorse any company or offer technical assistance for its products.

**Don't want to file your return online?**  
There are other electronic filing options available.

- Go to a tax preparer and ask to have your return filed electronically.
- Buy an off-the-shelf tax preparation product to use on your computer, and follow the product's instructions for submitting your return electronically.

For more information about online filing, view our [frequently asked questions](#).

Forms and Instructions | Publications | e-FILE Minnesota | About Us | Contact Us  
Home | Links | NorthStar | Press Releases | Other Languages | Site Help

Minnesota Department of Revenue | Site privacy & security | Use of information

## So What Happened?

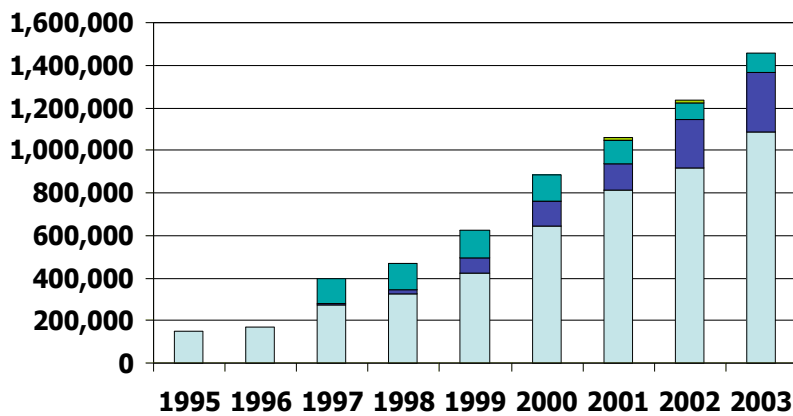
- We received phone calls...lots of them. But not about Web Telefile. Callers had questions about the Free File Alliance
- And as far as electronic filing is concerned...

27

MINNESOTA · REVENUE

## We Had Our Best Year Ever!

### Electronic Returns By Tax Year



28

MINNESOTA · REVENUE

## What's Next?

- **Telefile on the phone will not be offered for Minnesota returns next year....**

### AND...

- **...we're expecting many of the 90,000 taxpayers who filed using Telefile this year to switch to another electronic filing form rather than paper.**
- **...we saved the code for Web Telefile, and can bring it back as a replacement if needed.**

## Questions?