

## MINNESOTA • REVENUE

### Lessons Learned in Mandating Electronic Filing

- ▶ What We've Done
- ▶ Top Ten Lessons Learned
- ▶ Electronic Filing & Paying Statistics



Renee Bernier, August, 2002  
Federation of Tax Administrators Technology Conference



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### The Basics of Electronic Government Services



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## Project Charter

- ▶ The Department of Revenue Electronic Government Services team will implement technology to offer options to meet the needs of our customers and our business. We will develop a framework for a system that provides for an integrated and consistent “look and feel” of the department by our customers. We will focus on customer interactions with the DOR in the following areas:  
filing, paying, information,  
and account management.



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## Did we really getting rid of paper?

- ▶ As of 7/01/01 the Minnesota Department of Revenue no longer has paper forms available for sales and withholding tax



## Were there legislative changes needed?

“ . . . a return for the preceding reporting period must be filed with the commissioner in the form and manner the commissioner prescribes.”



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### What is e•FILE Minnesota?

- ▶ A partnership with GovConnect
- ▶ A free web and telephone based filing and paying system
- ▶ Real-time editing of returns, and same day processing



### What can taxpayers use the e•FILE system for?

- ▶ file returns for sales and use tax, withholding tax, MinnesotaCare taxes, and unemployment insurance
- ▶ make payments for virtually any Minnesota tax type, including, tax and non-tax bills and individual income tax



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### Is e•FILE Minnesota secure?

- ▶ The e•FILE Minnesota uses the most up-to-date security technology to assure the privacy of transactions. In addition, the log-in and user authentication areas are designed to assure users that only they can access their sensitive tax filing information.



### How do taxpayers register for e•FILE Minnesota?

- ▶ There is no pre-register to use e•FILE Minnesota. All that is needed is a Minnesota tax ID#, the bank routing number, and account number.



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Outside e-FILE, the department enacted an individual income tax practitioner mandate.

▶ Tax preparers have to file electronically when they reach the following thresholds:

- ⚡ 2000 - 500 returns
- ⚡ 2001 - 250 returns
- ⚡ 2002 - 100



- ▶ The law does not apply to returns on which a taxpayer indicates they *do not want the return filed electronically*
- ▶ We provided advance notice and information to allow for an easy transition
- ▶ Enrollment into the State e-file Program is automatic for preparers in Minnesota



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What does e-FILE Minnesota look like?



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Filing and paying system - Microsoft Internet Explorer provided by Minnesota Department of Revenue

File Edit View Favorites Tools Help

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### Filing and paying system

Welcome to eFILE Minnesota. To file or pay business taxes, enter your 7 digit Minnesota business tax identification number. To pay individual income tax, enter your 9 digit social security number.

<b>Business</b> Minnesota tax ID*	<b>Individual</b> Social Security number*
<input type="text"/>	<input type="text"/>

\*Do not enter any hyphens or spaces, just numbers, such as 123456789.

First-time user? Click [here](#) for demo.

[SECURITY STATEMENT](#) | [PRIVACY STATEMENT](#)

Done Internet



# MINNESOTA • REVENUE

File a return - Microsoft Internet Explorer provided by Minnesota Department of Revenue

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### File a return

ABC COMPANY MN tax ID: 1234567

<b>Sales and use tax</b>	<b>Withholding tax</b>
<input type="text"/>	<input type="text"/>
<input type="button" value="Back"/>	<b>Unemployment insurance</b>
	<input type="text"/>

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Done Internet



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File a return - Microsoft Internet Explorer provided by Minnesota Department of Revenue

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### File a return

ABC COMPANY MN tax ID: 123456789 Tax period: Jan - Dec 2002  
Tax type: Sales and use tax

Enter information below (round amounts to whole dollars)

Gross receipts	\$ 10000.00		
	<b>Taxable</b>	<b>Tax</b>	
General rate sales	\$ 5000.00	6.50%	\$325
Use-tax purchases	\$ 750.00	6.50%	\$49
Variable-rate purchases	\$ 0.00	varies	\$ 0

[Add a sales tax type](#)

Total Tax: 374      Amount Due: 374



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Min. Dept. of Revenue: e-FILE (eFile) - Microsoft Internet Explorer provided by Minnesota Department of Revenue

File Edit View Favorites Tools Help Back Forward Stop Refresh Home Print Ctrl Alt Del Links Address

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### Business tax payment

ABC COMPANY MN tax ID: 123456789 Tax type: Sales and use tax

Click "Authorize" to submit this payment and receive a confirmation number. Your payment is considered made today, but will be withdrawn from your account on the next available banking day.

For payment of: Sales and use tax	Checking
Pay to the order of: Minnesota Department of Revenue	Payable Date: 06/07/2002
Amount: Return 1201 0002	\$374.00
Routing number: 26070803	Account number: 123



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**Filing confirmation** - Microsoft Internet Explorer provided by Minnesota Department of Revenue

MN tax ID: 0218000000 Tax period: Jan - Dec 2002  
Tax type: Sales and use tax

Confirmation number: 99990003537 8/7/2002 4:04:07 PM

Thank you for using e-FILE Minnesota for electronic paying and filing.  
In the future we will not be cluttering your mail box with payment coupons.

**Filing summary:**

Gross Receipts	\$10,000		
		<b>Taxable</b>	<b>Tax</b>
General rate sales	\$5,000	6.50%	\$325
Use tax purchases	\$750	6.50%	\$49
Variable-rate purchases	\$0	varies	\$0
St. Paul sales	\$0	0.50%	\$0
Total Tax	\$374		
		Amount Due	\$374

Payment option: Electronic Withdrawal  
Amount: 374  
Withdrawal date: 20020807  
Account type: Checking  
Bank routing number: 296076301  
Bank account number: 123

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# MINNESOTA • REVENUE

## Top Ten Lessons Learned



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### Top Ten Lessons Learned

#### 10. Customer research is valuable to understand expectations.

- ▶ Surveyed businesses and accountants on expectations.  
Desires: free, easy, secure, and a confirmation of the filing and paying transaction
- ▶ Electronic filing is faster, more accurate, and less costly than paper for both the businesses and the DOR
- ▶ Over 80% of Minnesotan's have access to the Internet, including most businesses
- ▶ Over 60% of US companies will sell their products online in 2002, up from 28% in 1998
- ▶ Small businesses that use the Internet have grown over 50% faster than those who do not

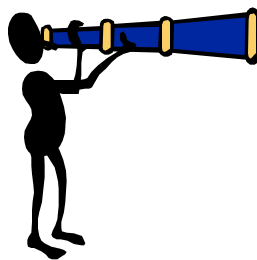


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### Top Ten Lessons Learned

#### 9. Develop a vision and stick to it!

By July 1, 2001, virtually all business tax returns will be filed electronically and all tax payments will be made electronically.



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### Top Ten Lessons Learned

#### 8. To be successful, need to swing for a home run to be able to hit a double!

- ▶ Paper returns removed from the process
- ▶ Telephone and Web applications fully integrated with the legacy system utilizing a “Live Hosting” component
- 4 System turned on just in time for the first paperless due date
- ▶ Collaborated with the Department of Economic security for Unemployment Insurance filing

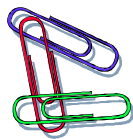


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### Top Ten Lessons Learned

#### 7. Can be successful without a budget, resources, or being the department's #1 priority.

- ▶ Shifted resources and savings when transitioning from paper to electronic processing to pay transaction fees
- ▶ Department surpluses and executive re-allocation of resources were used for the up front development costs
- 4 Project team resources were shifted from within the department
- 4 The project was accomplished during a major legislative tax reform period and an income tax reengineering project

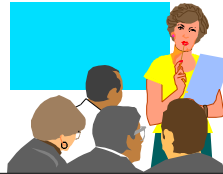


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### Top Ten Lessons Learned

#### 6. Need to market changes internally.

- ▶ Endorsement and support of the Commissioner 's office
- ▶ Articles in the Minnesota Department of Revenue's bi-weekly "Revenews"
- ▶ Regular briefings with senior management
- ▶ Stay in contact with legislators
- ▶ Regular updates with all tax and support divisions



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### Top Ten Lessons Learned

#### 5. Also need to market the changes externally.

- ▶ Establish a professional Marketing Services Contract to
  - develop a marketing campaign
  - brand the system with a logo
- ▶ Execute a comprehensive marketing strategy to persuade taxpayers to accept DOR's new and enhanced services
- ▶ Step-by-step guides for the web and telephone
- ▶ Educate taxpayers that the system is S.A.F.E:  
secure, accurate, fast, and easy!

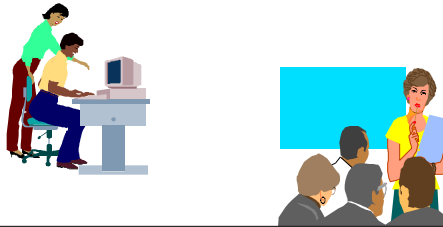


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### Top Ten Lessons Learned

#### 4. Providing exceptional customer service through training was essential.

- ▶ e•FILE Minnesota's demo function allows taxpayers and our employees to walk through the system together
- ▶ Employees attended classes and weekly update sessions
- ▶ Key employees from each division provided a channel for information between the project team and the divisions



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### Top Ten Lessons Learned

#### 3. The amount of taxpayer calls our department received went up drastically.

- ▶ “How do I do this?” “I forgot my password.”  
“I can't reach the e-FILE site.”
  - ▶ Added extra phone lines and more phone staff initially
- 4 Set up an e-mail system through e-FILE for taxpayers
- 4 Be aware that users have all different kinds of computers, ISPs, browsers and browser settings.

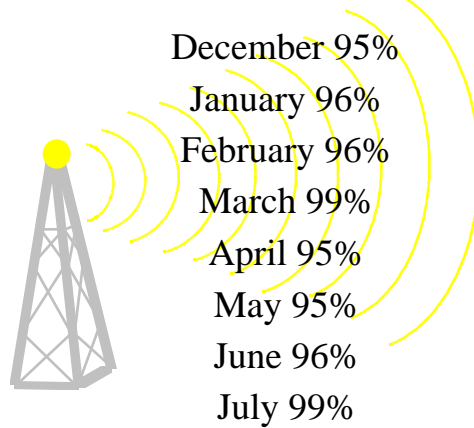


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## Top Ten Lessons Learned

### 2. The system needed to be available 24 X 7!

#### System Availability:



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## Top Ten Lessons Learned

### 1. Dedication of a strong project team.

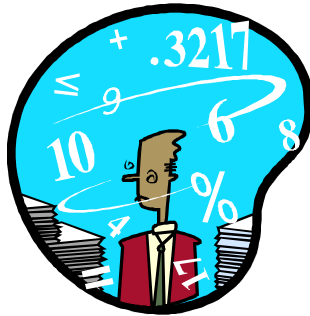
- ▶ Core team set focus and vision
- ▶ Endorsement of senior management
- ▶ Team members from all divisions
- ▶ Support of the Governor's office
- ▶ Use of open communication



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## Statistics

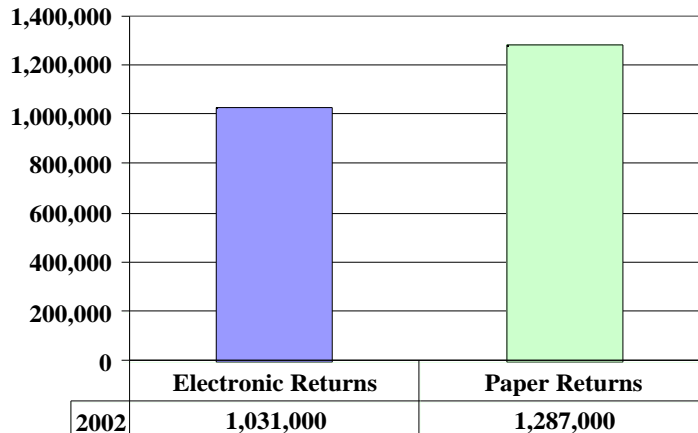
### around e•FILE Minnesota



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## Income Tax Returns Received

Total: 2.3 Million

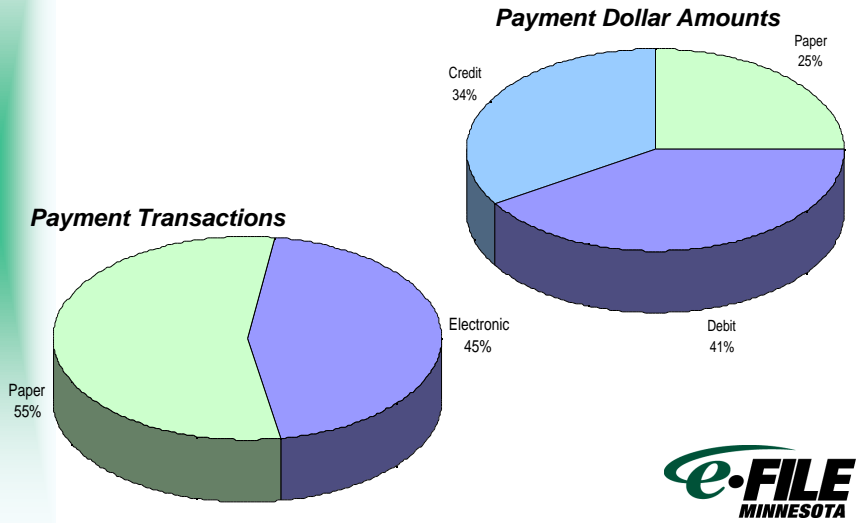


\* An estimated 150,000 more are expected to be received, including extensions bringing the total income tax returns to 2.4 to 2.5 million.



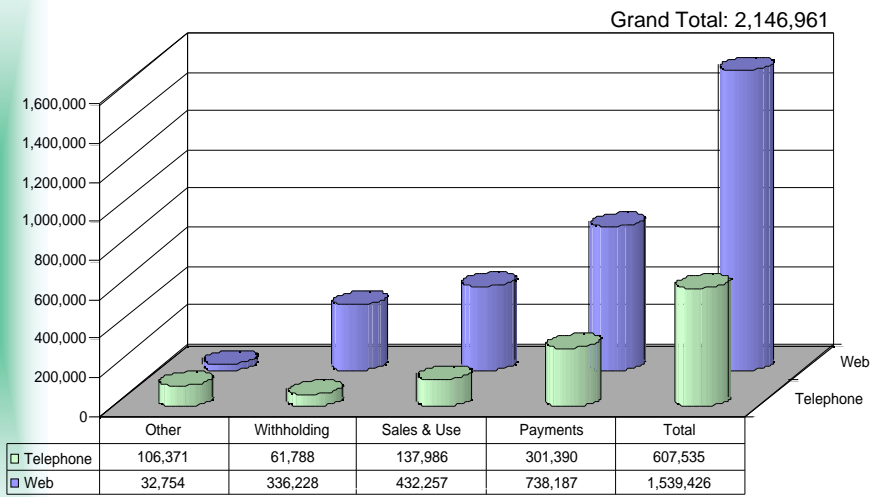
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## Payment Comparisons



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## e-FILE Total Returns and Payments



Totals from 7/01 through 07/02



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### Summary

- ▶ Decisions on e-government are complex.  
Consensus building is critical. Given the cost and use of department resources, decisions must be made after extensive research.
- ▶ Customer insights provide the foundation for an e-government strategy that creates a “win” for the agency, the state, and the taxpayers.
- 4 Customer-written plans introduce innovations and “out-of-the-box” thinking that can result in a system that is “better, cheaper, AND faster.”



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# Questions?

