



Reshaping Tax Administration in Tough Economic Times

John Vranna, Executive Consultant, Tax and Revenue Management, June 1, 2009



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It's not "business as usual" anymore.

- How is this current crisis different and unique?
 - Stakeholders are realizing that they need to do more than just talk about making fundamental changes
 - The status quo may not be good enough
- Tax agencies are seen as part of the solution and stakeholders may be very willing to accept and approve new initiatives that reduce costs, increase revenues and improve service
- In the past they may have concluded that there was not an urgency to make fundamental changes
- This is an opportunity that should not be wasted

"When written in Chinese the word crisis is composed of two characters- one represents danger and the other represents opportunity."



Revenue Generating Initiatives for these Challenging Times

- Focus on:
 - Making it easier for taxpayers to self comply
 - Improve ability to identify and bring taxpayers into compliance
- Some of the Challenges
 - Methods of providing taxpayer assistance is cumbersome and expensive
 - Availability and quality of relevant taxpayer data
 - IT applications do not fully meet the needs of users and is expensive to maintain and difficult to modify and
 - Stakeholders want immediate results to problems that require long-term solutions



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Turning Problems into Opportunities

- Many new initiatives will produce a high return on investment and can begin producing new revenues within a few months of their initiation.
- You can prioritize and begin to fix the most pressing issues almost immediately.
- Solutions can be grouped into three broad categories:
 - Data utilization
 - Business process design and automation
 - Taxpayer self-service



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Data Utilization

- Expanding the quality and availability of data will:
 - Improve the validation and accuracy of returns as they are initially processed
 - Identify returns with a high probability of tax change
 - Assess the risk of non-payment on outstanding obligations
 - Provide the opportunity to eliminate assigning unproductive cases to compliance resources.



Examples of Projects that Improve Data Utilization

- Automate the capture of taxpayer return data
- Expand the mandatory use of electronic filing and data exchange
- Centralize the management and storage of data in a data warehouse
- Expand use of third party information including other agency data
- Invest in decision analytical tools



Business Process Design and Automation

- Many business processes were designed around the processing of paper
- Automating and re-designing manual processes results in many advantages:
 - Reducing the transactional costs of business processes
 - Better alignment of higher priority activities to the right resources
 - Increasing the number of issues resolved on the first contact
 - Increasing capacity without staff augmentations; and,



Sample Initiatives to redesign business processes

- Investing in new workflow systems that can centrally manage multiple business processes
- Designing business processes based upon taxpayer compliance characteristics
- Implementing streamlined processes to allow low risk taxpayers additional time to pay off existing debts
- Providing taxpayers the option of communicating with the agency through secure email channels



Taxpayer Self Service

- The Challenge: lack of capacity to adequately respond to every taxpayer inquiry
- The Consequences: taxpayer frustration, unintentional errors, and delays in resolving issues and unnecessary downstream costs
- Expanding online self-service capabilities will:
 - Reduced operating costs
 - Increased self-compliance
 - Improved data upfront
 - Improved stakeholder satisfaction
 - Reduced demand on more traditional public service channels
- Examples of self-service initiatives include:
 - On-line taxpayer registration, filing and payment
 - Online access to taxpayer specific account information such as prior filings and payments
 - Ability to conduct transactional business online



A Strategic Approach to Improving Tax Administration

- Don't simply choose from a menu of likely alternatives
- We recommend the following series of logical steps to determine your best strategies:
 - Confirm your organization's shared vision of the future
 - Document existing pain points, problems, frustrations and impediments with existing business processes
 - Develop a "future state" document that will describe your core business processes in the future
 - Identify the existing "gaps" that are keeping you from achieving your future vision
 - Identify strategic initiatives that will address existing business problems and support the achievement of your future vision
 - Build your business case
 - Develop an implementation plan that can be successfully managed and accomplished by your agency and,
 - Finally, implement your plan



Some Strategy Considerations

- Consider both tactical and strategic Initiatives
- Look for short-term wins and long-term transformation
- Planning is critical to your success; however planning by itself buys you nothing
- Address acute short term revenue and budget issues AND lay the groundwork for fundamental changes in tax administration
- Some fundamental truths:
 - You cannot improve by simply doing more of the same
 - Without changing the underlying business processes, gains from newer technology may not improve the quality of tax administration



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Solving the Funding Issue: Benefits Funding and Traditional Procurements



- **Benefits Funding Features**
 - Business Partner supplies upfront Investment
 - A fixed price approach
 - Business Partner receives payment only as additional revenues are generated
 - Reduce risk and helps that the agency gets what they need
- **Traditional Procurements**
 - Tend to focus on deliverables, but there is now a greater emphasis on Return on Investment



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Summary

- This is an opportunity to take action and to improve tax administration.
- Recaps of actions that could be started immediately:
- Conduct a Best Practices Operational Review
 - Compares your business processes to proven successful best practices
 - Identifies opportunities for improvement.
 - Provides insight into potential increased revenues
- Create or Refresh the Strategic Plan to reprioritization of initiatives may be appropriate.
- Implement Revenue Quick Hits



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Contact Information

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- *About the Presenter*
 - *34 Years of experience enhancing the operations of State and Federal tax agencies*
 - *Experience with enhancing collections, audit and tax accounting systems and business processes*



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