

Data Sharing and Data Sources: *Technology, Strategy, and Policy ... What's New?*

Presentation for:

***Federation of Tax Administrators –
Technology Conference***

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Agenda



- Introduction
- Data, Data, Data
- Data Sharing and Sources
 - Commercial
 - Federal
 - Intrastate
 - Interstate
- Conclusion





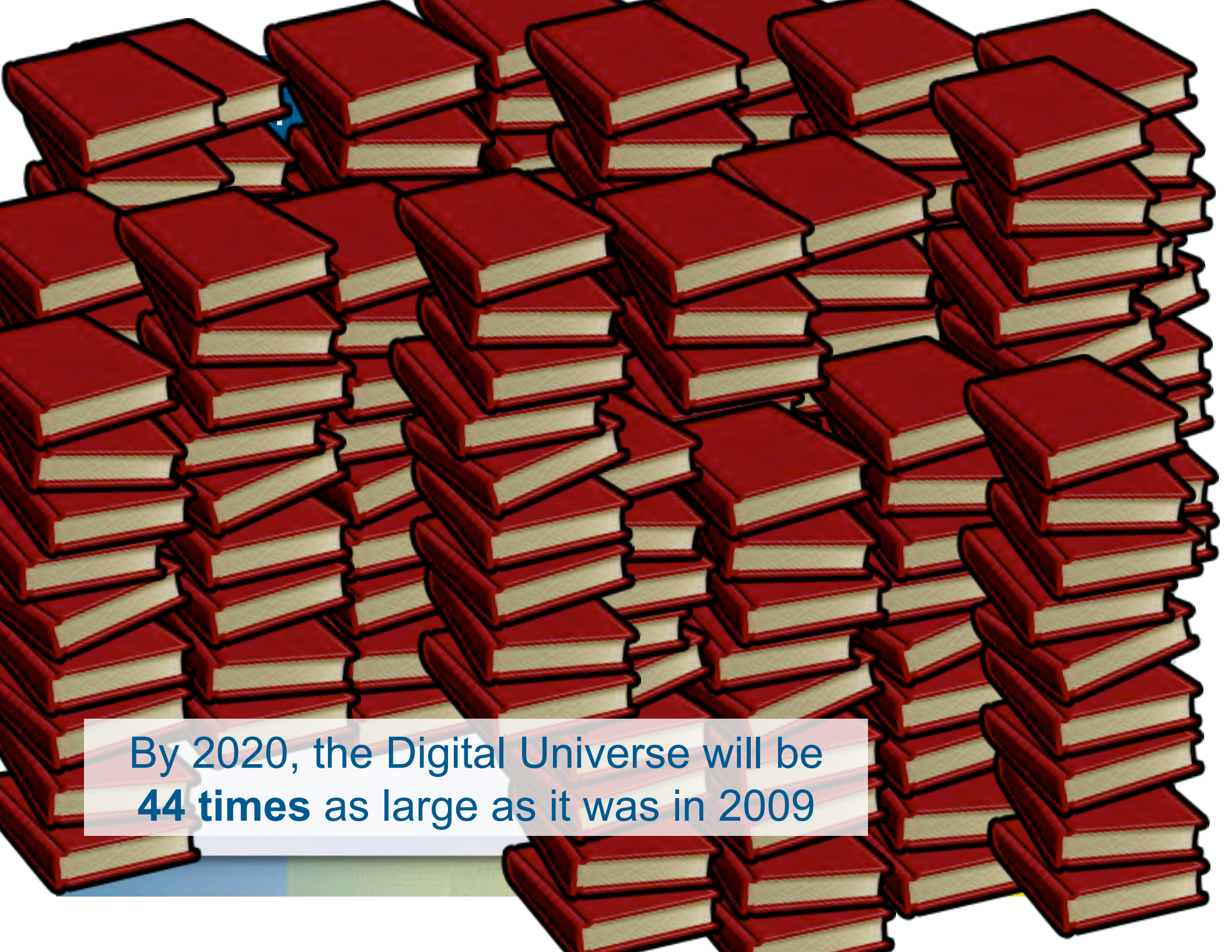
- **David Casey**
 - Senior Consulting Manager, Compliance
 - Fifteen years as industry consultant working with thirteen states and the UK
 - Both integrated tax system and compliance data warehouse experience
 - Real ID and voter registration data privacy experience

Data, Data, Data



- **Data explosion!**
 - More sources
 - Internal, other agencies, other states, private sector
 - More devices
 - More transactional system inputs (e.g., payment or POS)
 - More tracking devices (e.g., GPS, cameras, monitors, etc.)
 - More images, video and audio
 - YouTube hosts a 100m video streams a day

- **How much?... see next slide**



By 2020, the Digital Universe will be
44 times as large as it was in 2009

Data, Data, Data (continued)



- Capture, secure, manage and turn it into information from more sources /applications
 - Security will be mandatory
 - Analytical / SQL / statistical skills a must
 - Search and Business Intelligence tools will be part of daily life for management reporting, trend analysis, performance management, etc.
 - Decision Analytics will be common place for refund fraud detection, audit selection, collection treatments...every decision will use analytics prior to applying resources
 - Content management and archiving/retrieval will be required

Data, Data, Data (continued)



- **Data will drive resolution of the tax gap**
 - Obtain, share, reformat, standardize, aggregate, secure and analyze the data for compliance
 - Legal support (and political will) required to work through agreements and issues
 - Use of third-party data will be obtained
 - From a third-party data provider
 - From private sector businesses thru mandates (e.g., Jenkins Act or under subpoena)
 - Segmentation of population will be tactical strategy
 - Clearinghouses will become the norm (examples, Mass. Hosted MCH, Streamlining Sales Tax, MeF)



“The temptation to form premature theories upon insufficient data is the bane of our profession.”

– Sherlock Holmes

What data is being used?



- Traditionally, IRS data has been the primary third-party source, but this is only a piece of the picture...
- Revenue agencies are now using more commercial data, and they are sharing data with other state agencies and other states.



Revenue Department



- Commercial Data is used to:
 - Establish nexus for business and individuals
 - Validate and verify demographic information
 - Identify particular events that may warrant paying taxes (construction projects)
 - Segment taxpayers for compliance and educational programs



■ Challenges

- May require additional license fees and agreements
- Multiple sources need to be transformed and integrated within your agency's data strategy
- Establishing technical infrastructure and security for data exchanges
- Understanding how to leverage the commercial data in the tax world

■ Value

- Dodge reports pilot establishing field audits
- LexisNexis has additive value on existing programs and fraud detection
- LexisNexis being used to locate owners of non-resident property sales

Federal Data



IRS

Revenue Department



- Individual Master File
- Individual Returns Transaction File
- Information Returns Master File
- Business Master File
- Business Returns Transaction File
- W-2
- K-1
- 1099
- SS-4
- ITINs
- Revenue Agent Reports
- CP2000

- **Federal Data is used to:**
 - Identify potential non-filing individuals and businesses
 - Identify potential under-reporting individuals and businesses
 - Establish preliminary tax assessments based on federal reporting amounts



■ Challenges

- Requires IRS Pub 1075 compliance and audits
- Can be extremely large volumes of data to manage and mine

■ Value

- Individual Income Tax Non-Filers = \$2m - \$15m per year
- Foundation for IIT under-reporter assessments = \$2m - \$10m per year
- Business Tax Non-Filers = 1% - 3% additional registrants

Intrastate Data

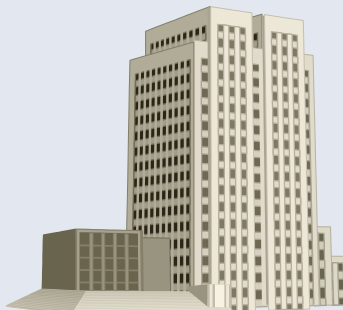


Labor/Employment



Child Support

Revenue Department



DMV



Secretary of State

- **Intrastate Data is used to:**
 - Validate and verify demographic and identity information
 - Offsets of refunds, collections, and payments
 - Establish nexus within the state
 - Provide financial data including wages, other income, and assets
 - Share data with county and municipal governments



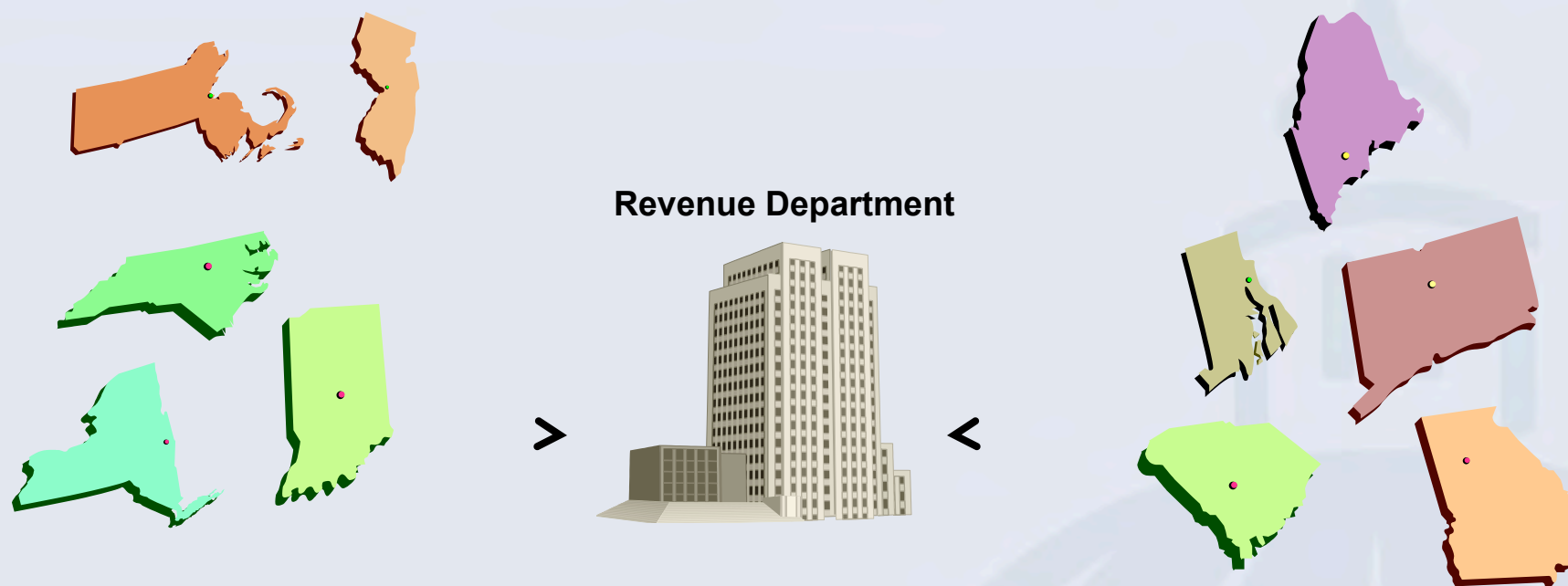
■ Challenges

- Often require interagency agreements
- Some states require specific legislation to share among departments
- Establishing infrastructure for data exchange

■ Value

- Automated payment offsets create results with minimal effort
- Agency data contributes to “lifestyle” portfolio and risk scoring
- Collaboration with other agencies and local governments on compliance efforts

Interstate Data



- **Interstate Data is used to:**
 - Validate and verify demographic information
 - Identify potential other jurisdiction credit abuses and IIT non-filers
 - Also can be used to expose fraudulent filers, debts (for offset), and multistate partnership and corporate returns, employment records

■ Challenges

- May require interstate data exchange agreements and/or legislation to permit
- Establishing standards and common specifications for data capture and integration

■ Value

- Closes the gap on an additional area of non-compliance
- Leverages technology and processes across multiple state data resources
- Single point of data collection and analysis rather than individual data matching by states

What's Next?



- Capturing POS Transactions
- Web crawling for press releases, news activities
- Non-traditional sales channels such as eBay, auction houses escaping gains and sales taxation
- Social networking for outreach, education, compliance

Questions and Contact Information



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