



Mandating Electronic Filing: What's In It For You?

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- Introduction
- The Problem
- State Options
- Current Mandate Trends
- Key Best Practices
- Pitfalls to Avoid
- Sample Timeline
- Summary

- Presenter
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- Background
 - 20 plus years in tax, enterprise software, and global services
 - Certified Platinum SAP Consultant
 - Custom development of pricing and tax solutions for upstream and downstream O&G



Zytax is the industry- and government-agency standard for automating the **Calculation, Compliance, and Collection** of indirect taxes.

- 14-year old company with 700+ installed customers including NC, NH, SC, and TN
- Over \$65 billion of taxes processed annually
- Headquartered in Houston, Texas
- Wholly-owned subsidiary of FuelQuest, a leading edge technology and services provider for companies that buy, sell, and distribute energy-related products

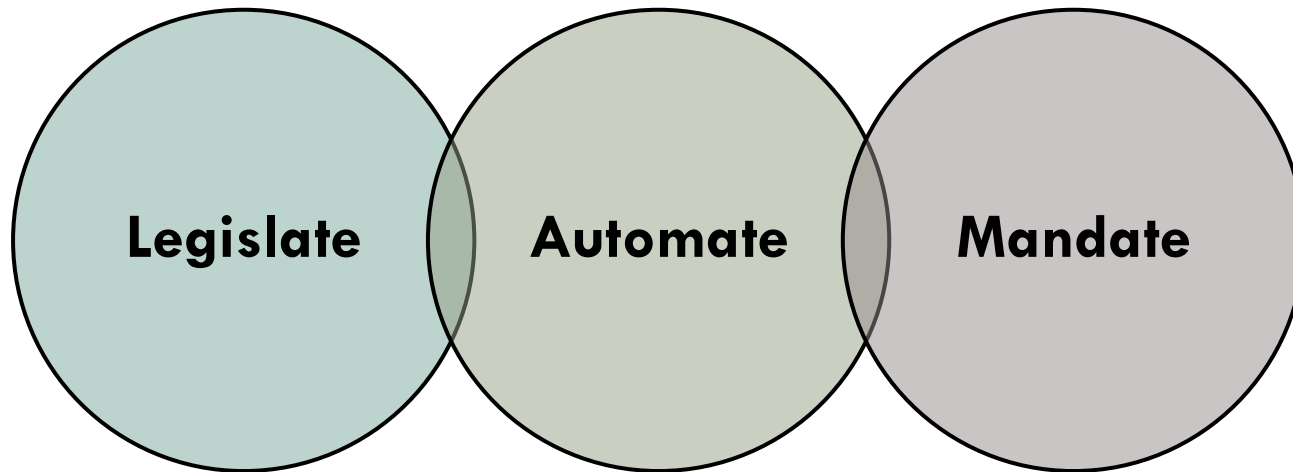


The Problem with Motor Fuels Excise Tax

- State budget shortfalls
 - More fuel efficient cars
 - Fewer miles driven
 - Aging infrastructure
- Uncollected revenue
 - Errors
 - Omissions
 - Fraud
- High processing costs
 - High complexity
 - Manual internal processes
 - Labor-intensive audits

The Federal Highway Administration (FHWA) estimates that \$1 billion to 25% of motor fuel excise tax revenue remains uncollected every year.

- Treasury Inspector General for Tax Administration (TIGTA) Review of Fuel Excise Tax Compliance Program released April 2009



- New or increased taxes
- Additional products
- Adds new revenue, but does not address collection gap
- Internal collection and audit processes
- Greater efficiencies
- Partially addresses collection gap
- Electronic filing requirement
- Greater compliance, more filers, and level playing field
- With automation, fully addresses collection gap

- Approach
 - Onboard all filers at same time
 - Over-communicate with stakeholders – internal and external
 - Collaborate with software vendors and filers
 - Customize only on exception basis to control costs
 - Hold firm to mandate timeline

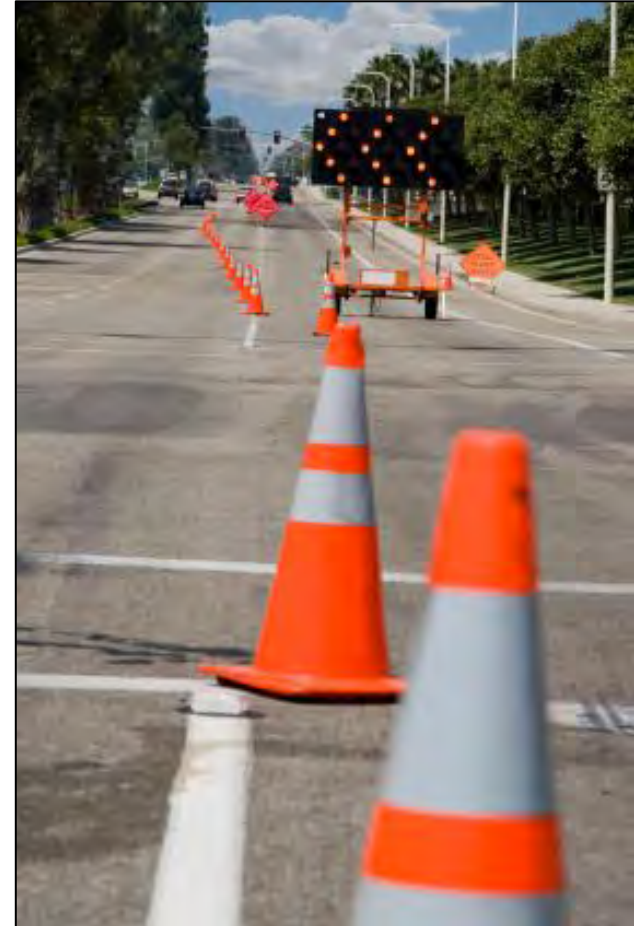


Best Practices to Embrace (cont.)

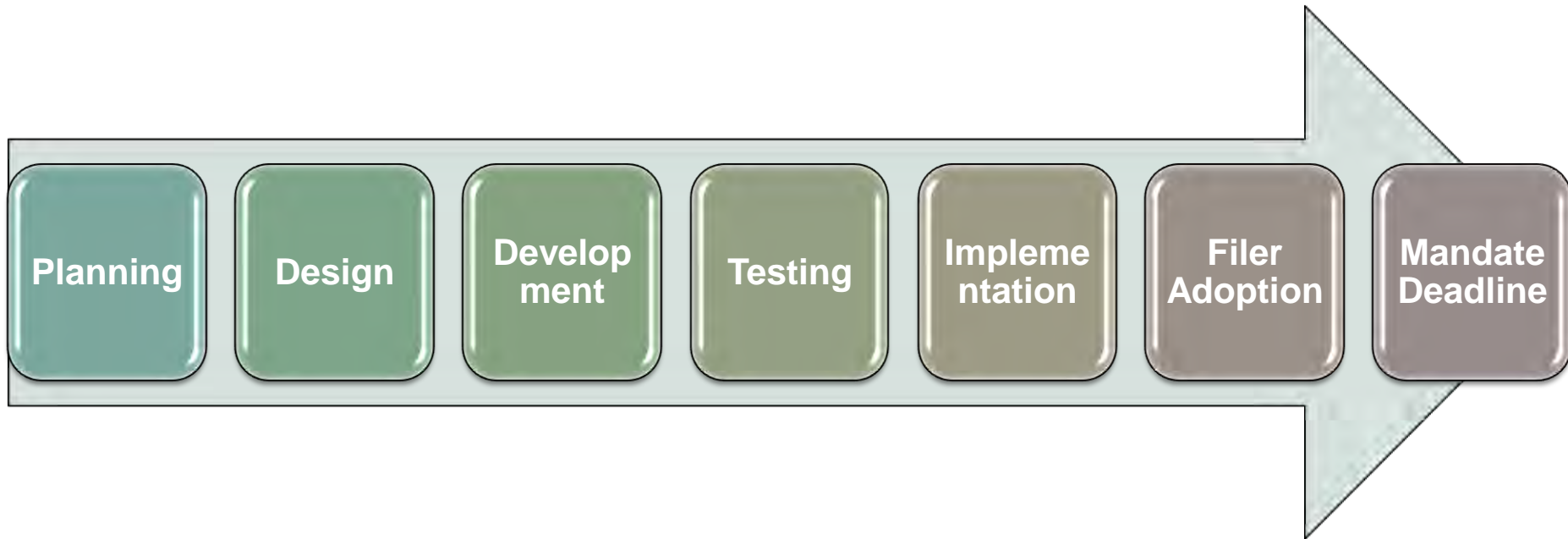
- Design
 - Establish measurable goals and success metrics at start of project
 - Use existing electronic filing standards; work with Motor Fuels FTA Uniformity Committee
 - Consider neighboring states' standards to facilitate multi-jurisdictional filers
 - Streamline process/forms concurrently
 - Provide online entry for low volume filers
 - Provide adequate test services early
 - Enable self-help for registration, processing, error resolution, and status inquiry
 - Leverage existing ACH / EFT capabilities
 - Design for analytics



- Underestimating timelines for agency to implement and for filers to adopt
- Allowing grace periods can simply delay the problem of unprepared filers
- Adopting proprietary data formats or processes
- Ignoring collective expertise



Sample Timeline



- If state already offers electronic filing and payment, *3 months minimum* from mandate announcement to deadline
- If state does not have electronic filing and payment, *12 months minimum* from planning to deadline

- State revenue continues to fall short of budget needs
- States have found success in new taxes and revenue sources
- Automation and mandates can unlock millions in uncollected / owed revenue
- 50% of states have jumped on the mandate bandwagon
- Best practices and the right partner can accelerate and reinforce mandate success
 - Anywhere from 3-12 months to roll-out, but heavily influenced by internal factors



Thank You

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