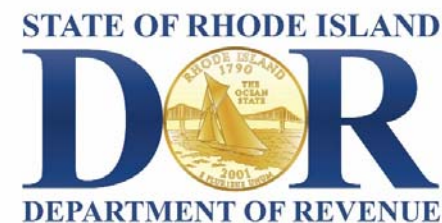


# **DIVISION OF TAXATION**

## **2017 Tax Season Update**

**House Committee on Oversight**

**June 8, 2017**



# Agenda

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- Executive Summary
- Key Measures
- New Narrative
- Returns
- Refunds
- Personal Income Tax Process Improvements
- Communication Strategy
- 2017 Staffing Implemented
- 2017 Process Metrics
- Customer Service
- Refunds: Next Steps
- Appendix
  - Taxpayer Confidentiality
  - Taxation Contact Information

## Executive Summary

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- ✓ **Completed** 3 out of 4 phases of implementation of the new STAARS system **on time** and **on budget**
- ✓ **Final** (phase 4) implementation due to complete at the end of this month, projected to remain within budget
- ✓ **Linked and integrated** personal, corporate and other tax returns and data, resulting in a highly **complex** review process, **challenging** our existing staff
- ✓ New platform requires **constant real-time response** to fraud **information shared** between federal and state agencies, vendors, stakeholders, and the public
- ✓ **STAARS** has largely **replaced** manual data entry with **state-of-the-art scanning/data** capture
- ✓ A move to **100% audit review** of personal income tax returns (above minimum thresholds) has stressed capacity and staff

# Executive Summary

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- ✓ **Reduced** outstanding **refunds** to a steady-state level equal to or less than prior years
- ✓ Rolled out a **communications model** to address a surge in demand with revised telephone and **interactive taxpayer response services**
- ✓ **Current number of YTD returns processed, number of refunds issued, and dollar value of refunds issued are at the highest level of all of the last 5 years tracked.**
- ✓ The total number of returns processed as of 6/5/17 is larger than the total number of returns processed as of 8/29/16, implying that processing is almost 3 months 'ahead of schedule' compared to prior year.

# Key Measures: Overall vs Personal Income Tax



## Overall Taxes

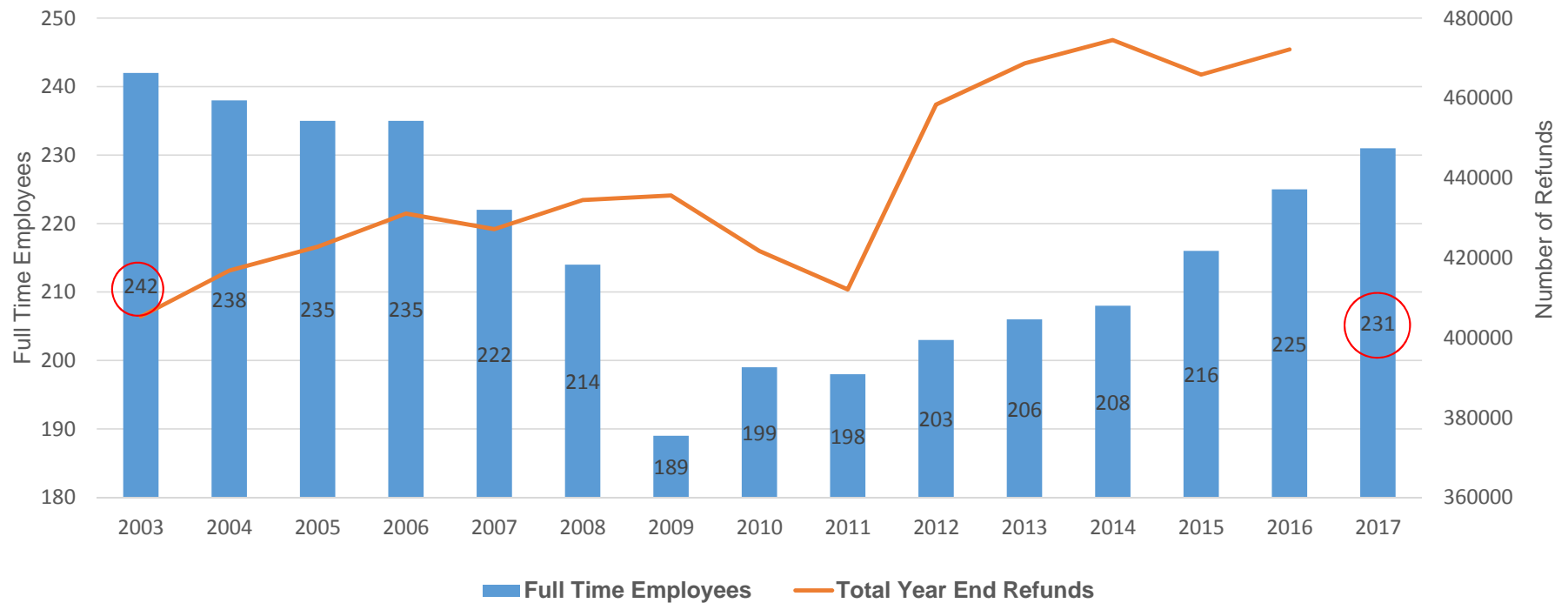
- ✓ 2.5 million tax filings
- ✓ 58 different taxes and fees managed, 98% fully integrated with STAARS
- ✓ \$3.26 billion annual tax revenue
- ✓ \$1.24 billion personal income tax payments collected
- ✓ 231 FTEs

## Personal Income Tax – 2016 vs 2017 YTD

- ✓ 645,227 income tax returns filed (2016)
  - ✓ 618,596 2017 YTD
- ✓ 472,174 refunds issued
  - ✓ 431,434 2017 YTD
- ✓ \$272 million Refunds paid
  - ✓ \$248 million 2017 YTD
- ✓ \$1.9 million fraud prevented
  - ✓ \$0.4 million YTD

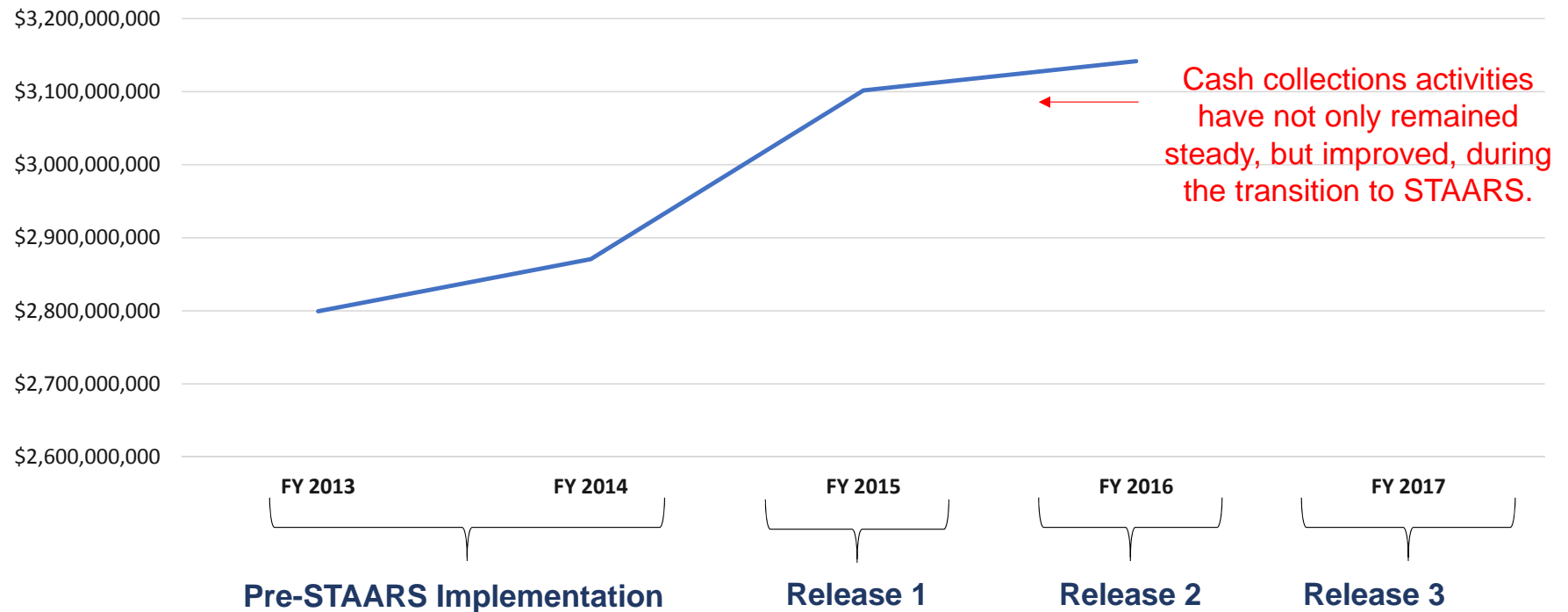
# Key Measures: 2017 Staffing: Returning to Normal

FTEs still 5% below 2003 despite new responsibilities



# Key Measures: Increasing Revenues-Record High Year

## Total Cash Collections Administered by Taxation

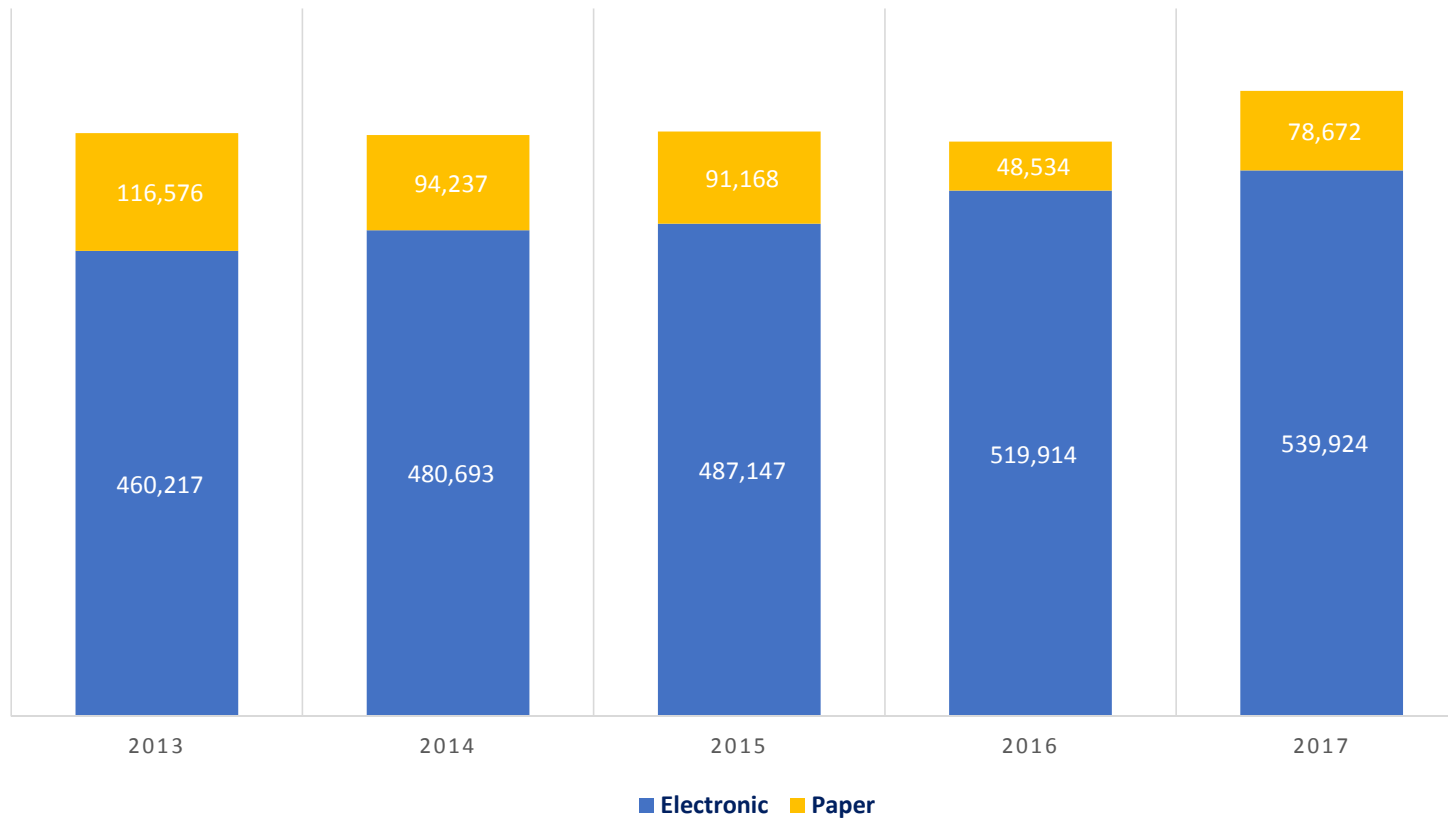


# Refunds: The New Narrative

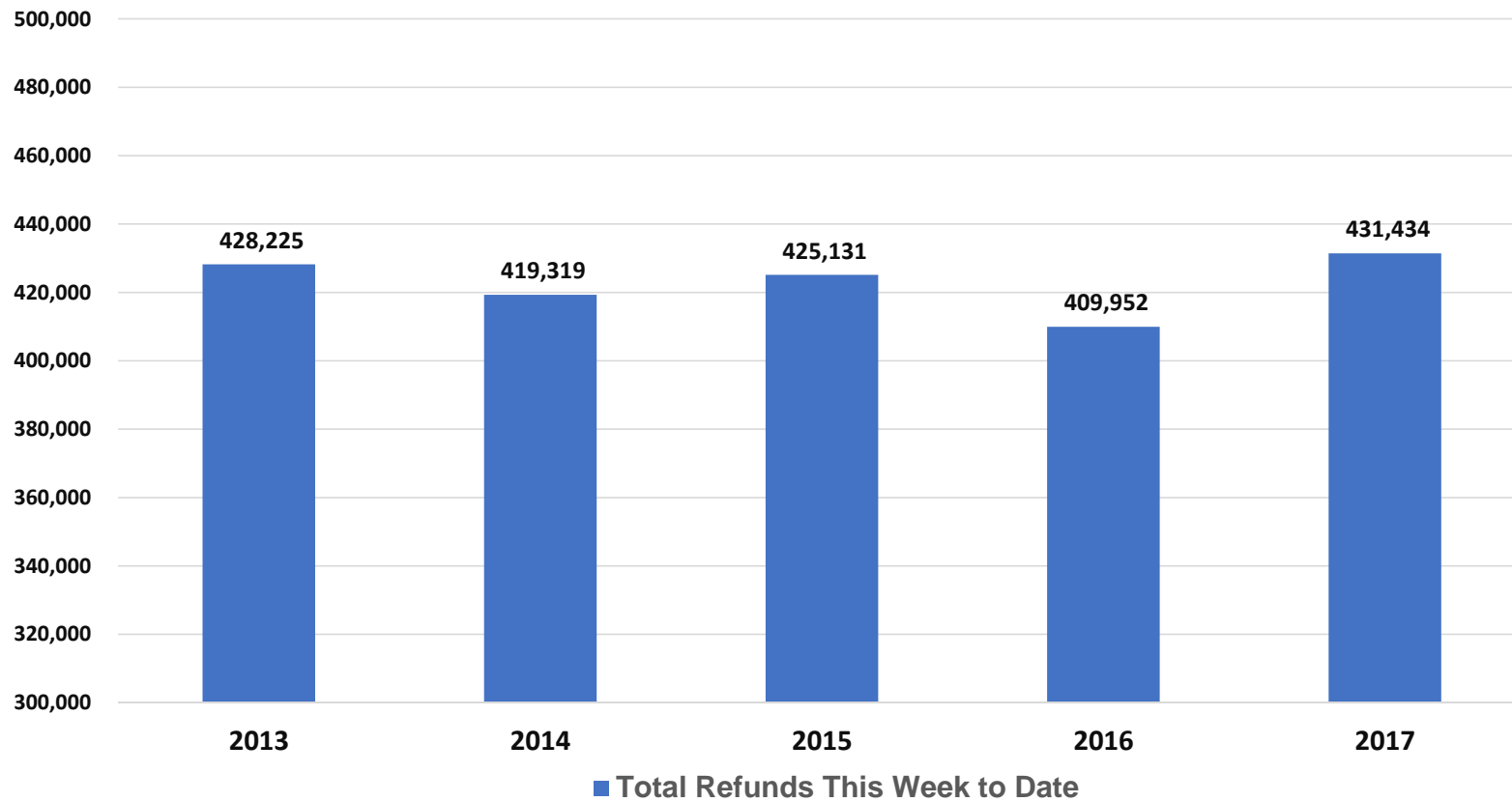




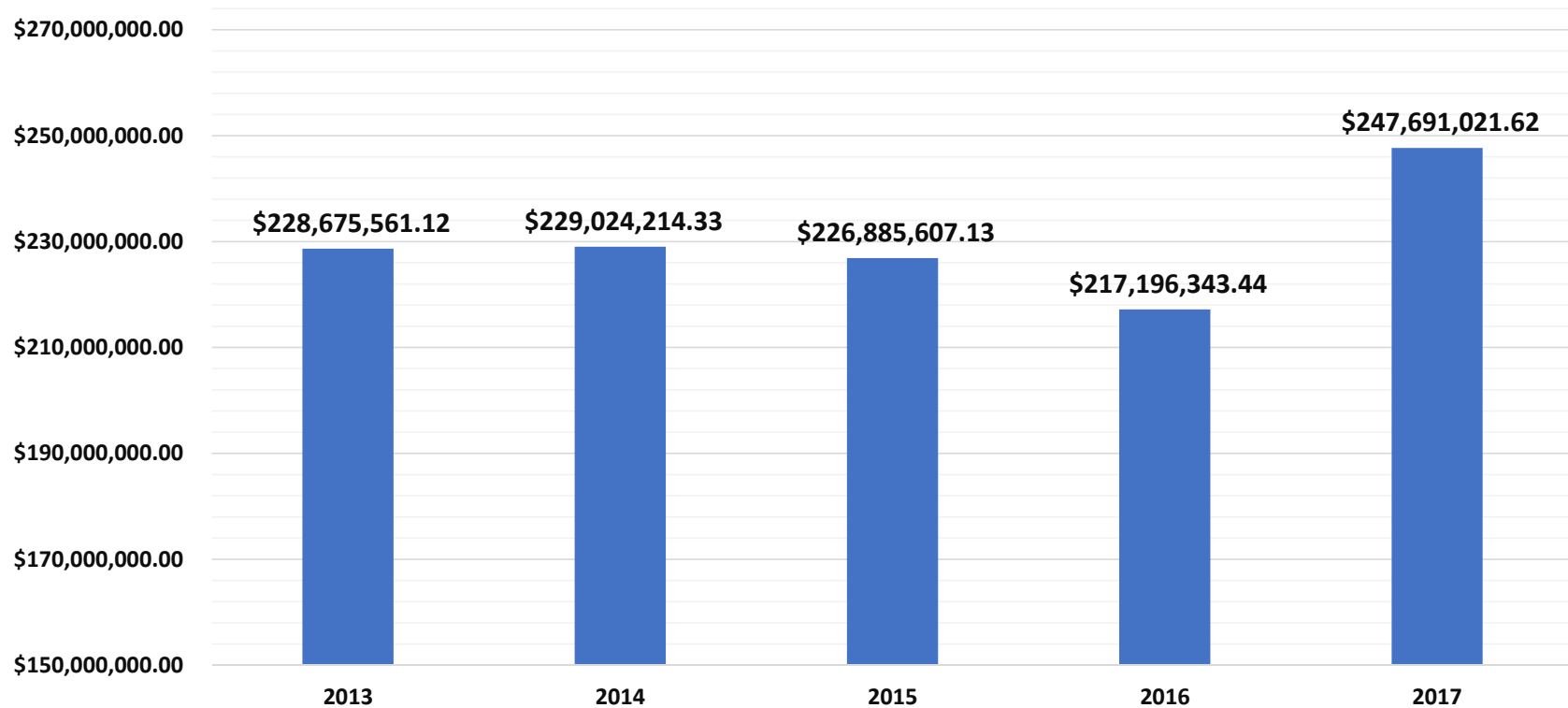
## Returns: Record Total YTD Personal Income Returns Processed



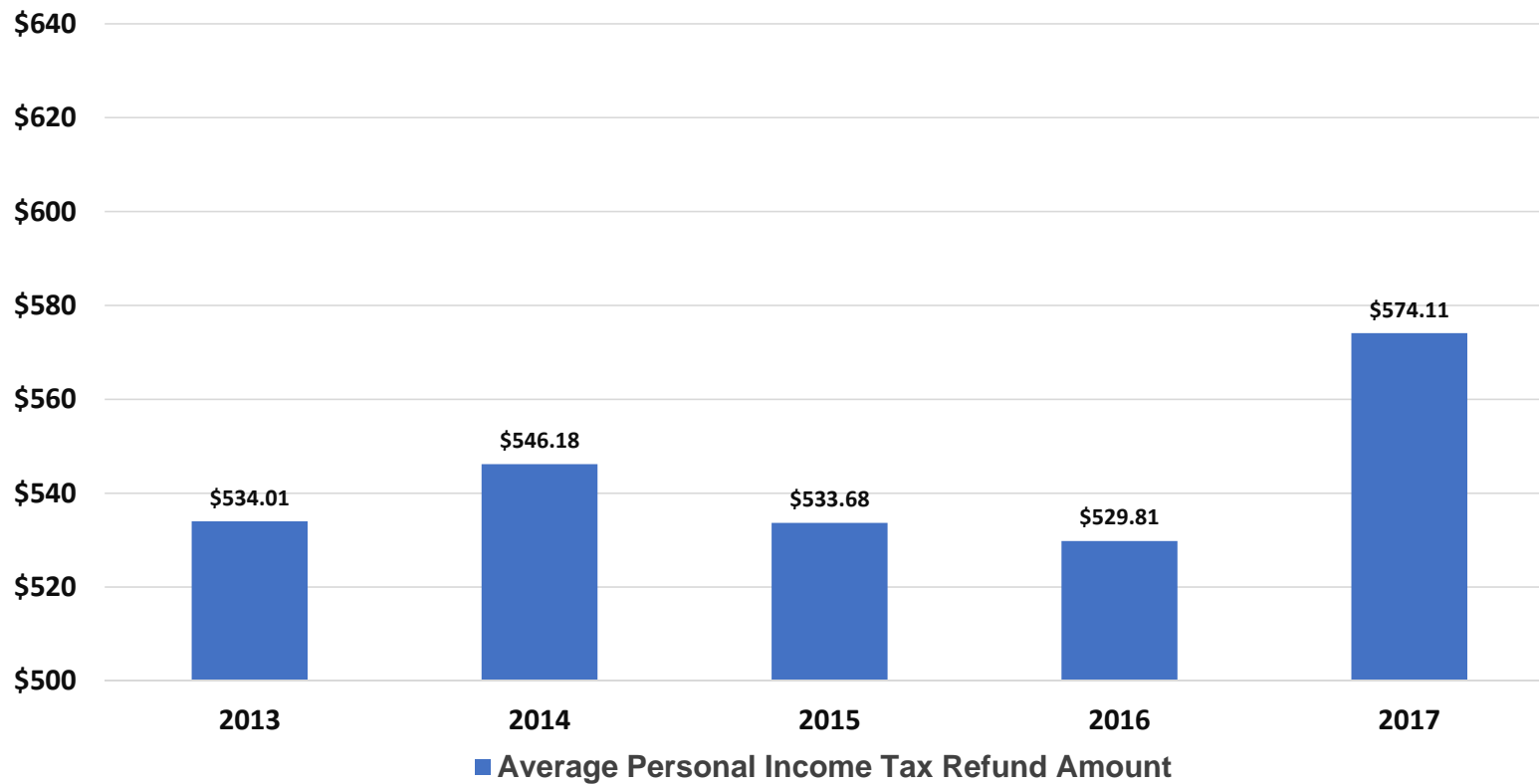
## Refunds: 5-Year Record Number of Refunds Processed YTD



# Refund \$: 5-Year Record YTD Dollars Processed



# Refunds Per Taxpayer: 5-Year Record-high Average



## Personal Income Tax: Improvements Implemented

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- Revised refund strategy to **accelerate payment** and **manage expectations** in an increasingly fraud-prone environment
- Reviewed staffing patterns with increasing **cross-training** to support flexible allocation of human resources
- Adjusted **fraud analytics** and review levels
  - Addressing increased employee **return review targets** and Auditor General's mandates
- Introduced both core **software** and **scanning** technology refinements
- Partnered with RSI, Fairfax and third party software vendors (TurboTax, TaxCut, etc.) to **reduce data importation error**

# Personal Income Tax: Improvements Implemented

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- **Substantial process improvements** implemented from first year **experiential gains** (paper and e-filing)
- Focus on elimination of **errors in returns received** which now heavily impact modern system performance:
  - Enhanced tax forms and **proactively partnered** with tax preparation entities
  - Enacted proactive taxpayer/tax preparer education and training
  - Continue to **encourage electronic filing** which is faster, reduces errors, and cuts costs
  - Enabled personal income tax payments **on-line via debit and credit card**
- Implemented and continuing to refine rigorous **statistical analysis** to screen and select key returns for faster release
- Enhancement of “**Where’s my refund**” **web tool** to provide self-service answers for a broad cross-section of taxpayers

# Communication Strategy: Transparency/Accessibility

## Taxpayers

- Uniform script for employees to aid in providing consistent customer service to assist taxpayers
- Updated Tax Payer Assistance phone line with simplified messaging and revised queue system
- “Where’s My Tax Refund” on-line service

## Media

- Regular public service announcements
- Weekly “dashboard” on returns and refunds

**Rhode personal income tax refunds**

	Tax Year 2013	Tax Year 2014
Number of refunds	250,729	
Total amount refunded	\$ 131,913,362	
Average refund	\$ 559	\$ 526

Cumulative figures for tax year 2013 through March 23, 2014, and for tax year 2014 refunds through March 24, 2015, before interest and offset, and do not include refunds for tax years other than 2013 and 2014.

Sample Dashboard

## **Online Services >>**

- **Where's my Tax Refund?**  
Find the status of your tax refund online

## 3<sup>rd</sup> Party Software Vendors (i.e. TurboTax)

- Improve communication and education with dedicated support line
- Expedite approval process

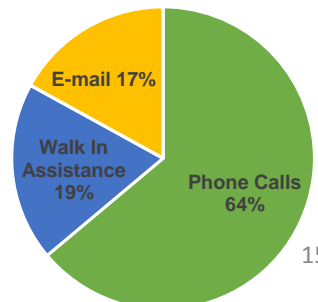
## Other Stakeholders/Constituent Affairs

- Governor’s office, legislature, other state offices
- Streamlined communication between Tax Department and preparers

2016



2017 YTD



## 2017 Communication Strategy: Managing Expectations

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- Managing **workflow and communication** to match IRS and other state guidelines
  - IRS did not issue federal refunds this year until at least mid-February if they involved EIC or additional child credit
- Refunds filed by **March 31<sup>st</sup>** paid more **quickly**
- Refunds filed **electronically** paid more **quickly** than those filed on paper
- Assumes filings are **complete and accurate** and external fraud environment remains unchanged
- Highly **complex, multi-jurisdictional** returns may take longer



## 2017 Staffing: Changes Implemented

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- Continued **Lean Government Initiative** completed in 2016
  - Analyzing, improving, and streamlining processing of returns and payments
  - Driving **innovation** and **continuous improvement**
- **Enhanced staffing** in Tax Processing (1 Supervisor) and Personal Income Tax (2 Taxpayer Specialists and 1 Revenue Agent)
- Added 6 additional **seasonal staff** in Tax Processing (2 clerks, 4 data entry)
- **Cross-trained** current and seasonal staff to flexibly redeploy resources as needed

## 2017 Process Metrics: Benchmarking for Improvement

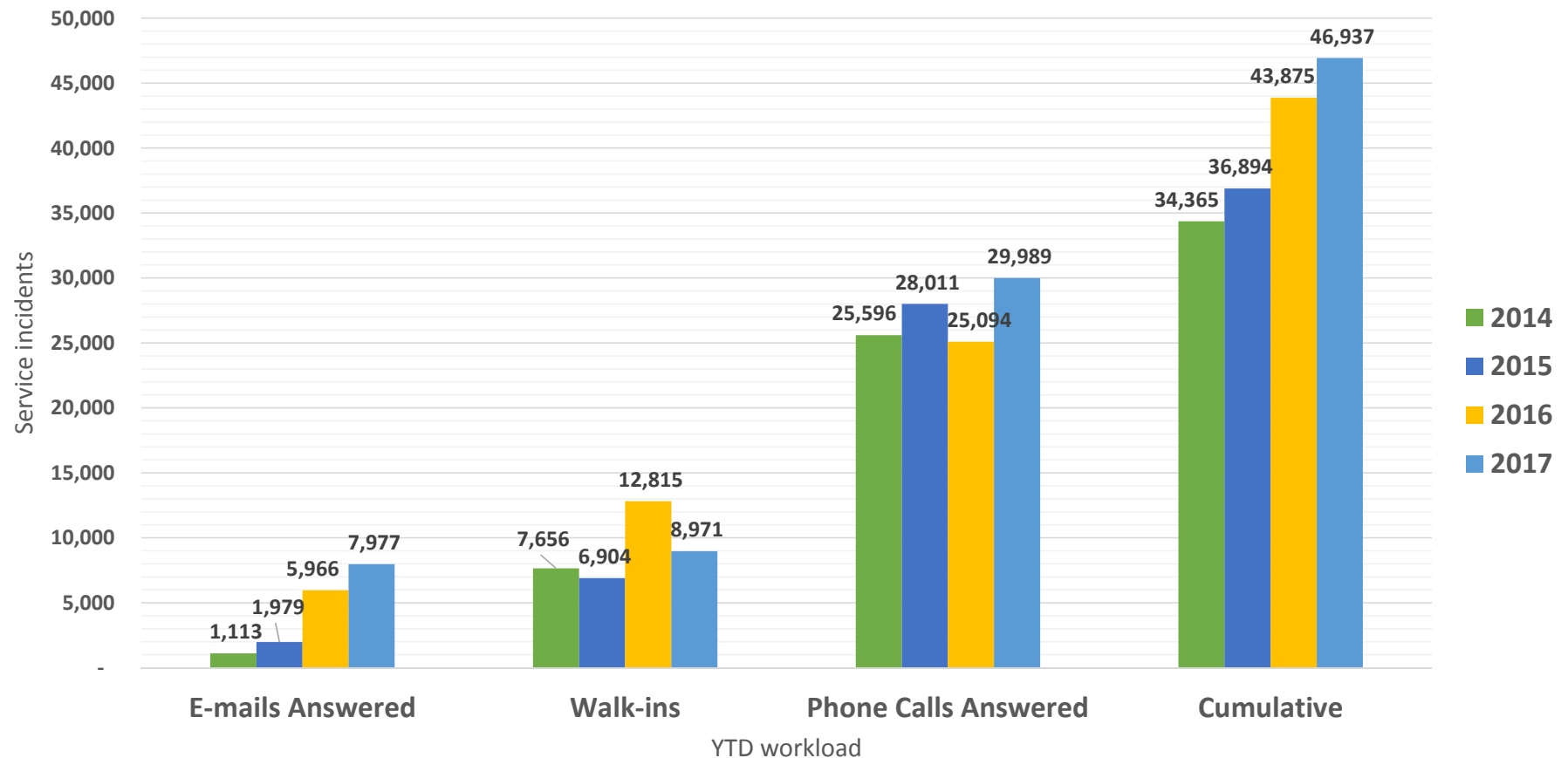
- **Average return/refund turnaround time**

Measure	TY 2015	TY 2016	Improvement
Days from final refund approval to refund issued	9.2	7.8	15%
Days from initial scanning of return to STAARS Load	20.1	8.6	57%
Days in STAARS prior to issuing refund	34.8	13.6	61%

- **Taxpayer assistance**

- Overall number of **contacts** with Personal Income Tax section has been increasing year over year, with latest YTD 2017 up 7% over 2016.
- There has been a **large shift** from walk-ins to e-mails and phone calls handled:
  - Walk-ins **-30%**
  - E-mail **+33.7%**
  - Phone calls **+19.5%**

# Customer Service: Reaching More Taxpayers



# Refunds and Personal Income Tax: Next Steps

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- Continue to modify procedures using LEAN processes
- Leverage STAARS system to drive increased automation to increase **productivity and speed**
- **Online portal development** seeks to provide more avenues for taxpayer information, self-service, and convenience
- Address ongoing and peak **staffing requirements** as well as **organizational caliber**
- With 2016 refunds in check, **prevent 2017 backlog** while managing expectations and monitoring Tax Processing team closely
- Continuing to improve **customer service** and response times
- Refining and expanding **Refund Fraud Analytics** to better protect taxpayers
- Maintain and increase **transparency** to our stakeholders
- **Partnering** with vendors several months earlier in the calendar year to **proactively manage data** inputs further upstream

## Refunds and Personal Income Tax: Next Steps: 2018

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- **Culture of constant and continuous** assessment and improvement
- Training, forms development **in process now** for 2018 tax season
- **Upgrade and improve** telephone access
- Continue partnership with RSI to **leverage system potential** to further **protect taxpayers**, improve taxpayer experience and **enhance revenue**

# Appendix

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# Taxpayer Confidentiality

## Confidentiality Provisions

- R.I. Gen. Laws § 44-30-95 limit the ability of the Division of Taxation to divulge or make known any information in connection with an individual Personal Income Tax or Corporate Income Tax return.

## R.I. Gen. Laws § 44-30-95.

- (c) *Secrecy requirement.* It shall be unlawful for any state official or employee to divulge or to make known to any person in any manner whatever not provided by law the amount or source of income, profits, losses, expenditures, or any particular of them set forth or disclosed in any return, or to permit any return or copy of the return or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law. It shall be unlawful for any person to print or publish in any manner whatever not provided by law any return or any part thereof or source of income, profits, losses, or expenditures appearing in any return. Any offense against the foregoing provision shall be punished by a fine not exceeding one thousand dollars (\$1,000), or by imprisonment not exceeding one year, or both, at the discretion of the court. If the offender is an officer or employee of the state of Rhode Island, the offender may be dismissed from office or discharged from employment. (Emphasis added.)

## Taxation: Contact Information

**Address:** One Capitol Hill, Providence-Powers Building, First Floor

**Hours:** 8:30am-3:30pm

**E-mail:** [Tax.Assist@tax.ri.gov](mailto:Tax.Assist@tax.ri.gov)

**General Line:** (401) 574-8829

**Extensions:** Forms-1, Billing or Delinquency Questions-2, Personal Income Tax-3, Sale of Real Estate by Non Residents-4, Sales and Use Tax & Other Excise-5, Corporate-6, Business Applications and Regulation-7, Estate-8

- We urge taxpayers to use our website at [www.tax.ri.gov](http://www.tax.ri.gov)
- Forms and instructions available to download and print at <http://www.tax.ri.gov/contact/>
- Updated information regarding your refund on the “Where’s My Refund” tool at <https://www.ri.gov/taxation/refund>