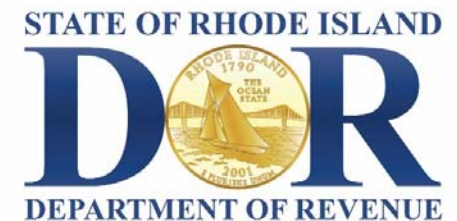


DIVISION OF TAXATION 2017 Strategy and Update

House Committee on Oversight

January 19, 2017



Agenda

- Executive Summary
- 2016 Key Measures
- 2016 Refunds
- 2017 Personal Income Tax Strategy
- 2017 Communication Strategy
- 2017 Staffing Strategy
- Refunds: Next Steps
- Retail Sales Permits
- Appendix
 - Taxpayer Confidentiality
 - DOR Organizational Chart
 - Taxation Contact Information

Executive Summary

- ✓ **Completed** 3 out of 4 phases of implementation of the new STAARS system **on time** and **on budget**
- ✓ **Linked or 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
- ✓ **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**

2016 Key Measures

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%
- ✓ \$1.24 billion personal income tax payments collected
- ✓ 231 FTEs

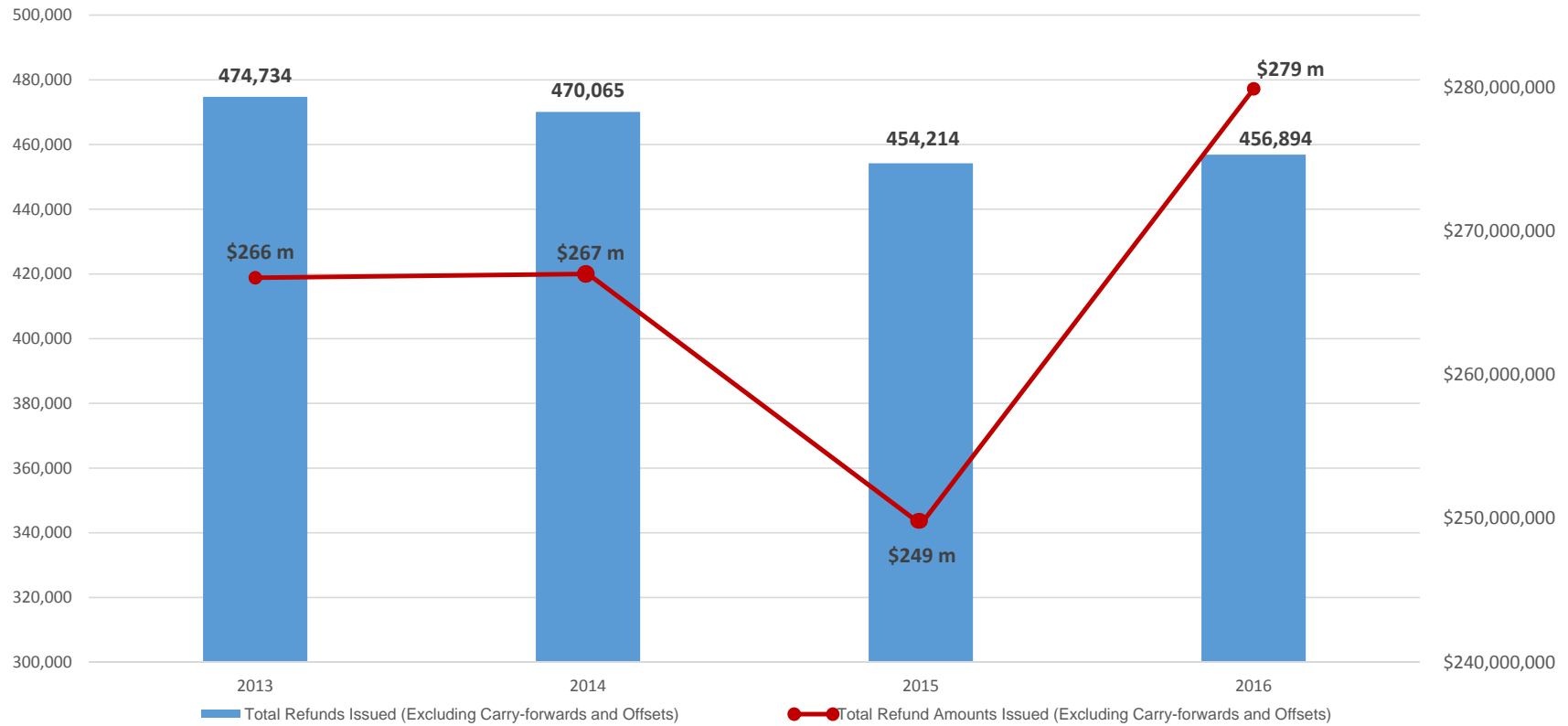
Personal Income Tax

- ✓ 645,227 income tax returns filed, +1%
- ✓ 456,894 refunds issued, +1%
- ✓ \$279 million Refunds paid, +12%
- ✓ 4,316 refunds remaining
- ✓ \$1.9 million fraud prevented, +23%

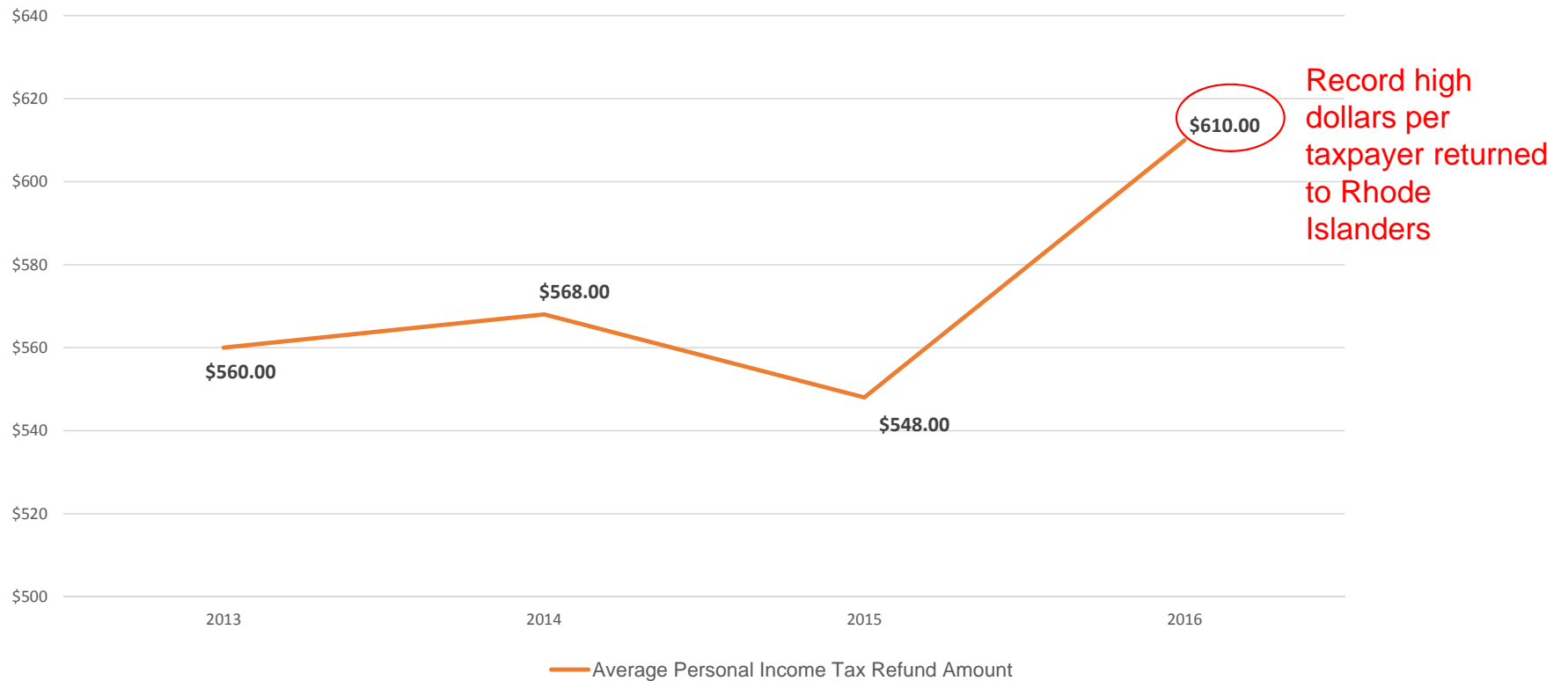
Refunds: The New Narrative



Refunds: Record Dollars Processed

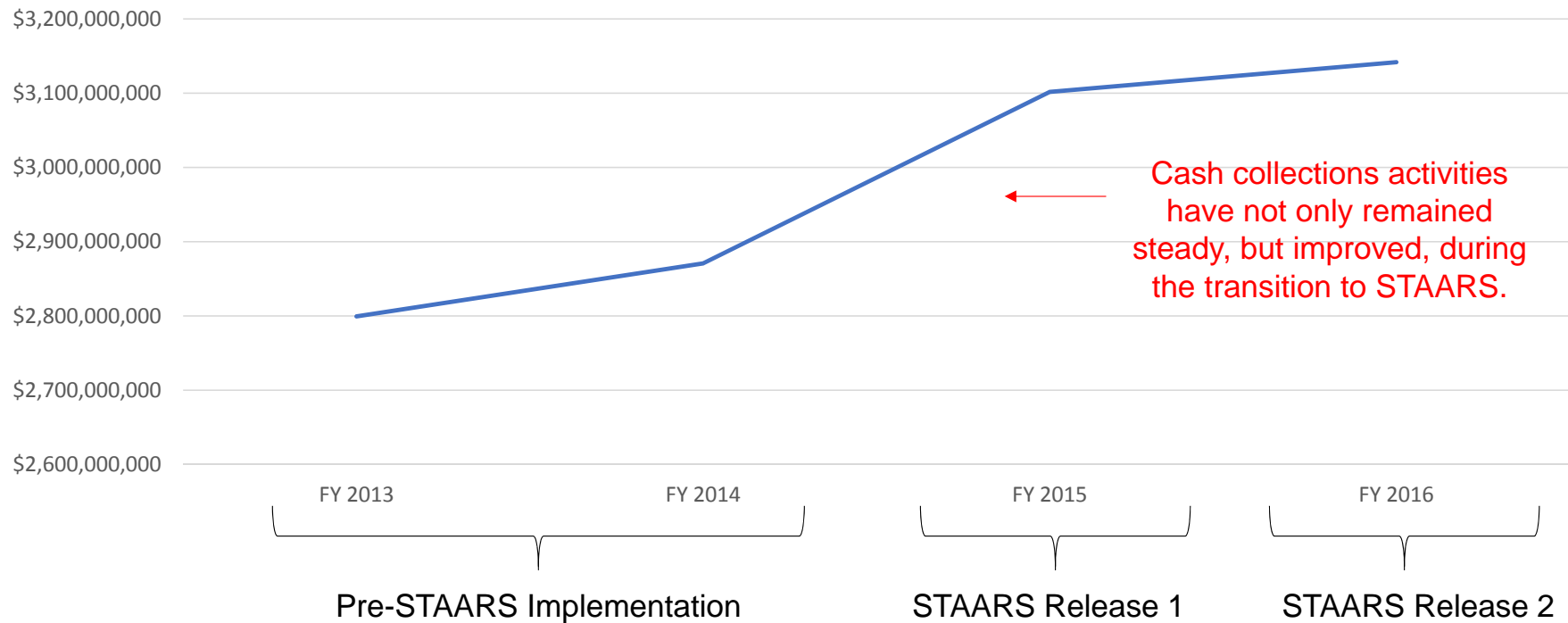


Refunds Per Taxpayer: Record Average Refunds

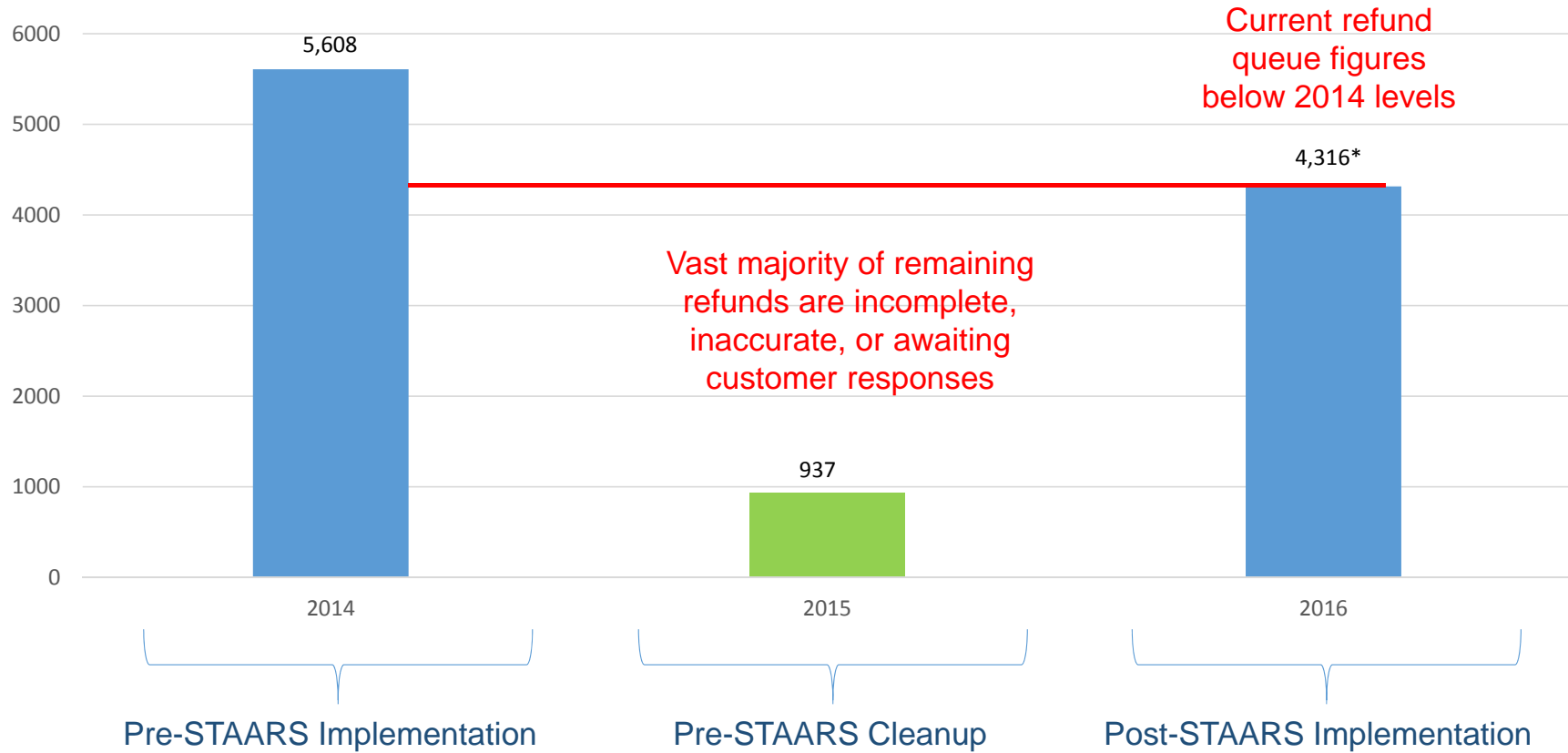


Increasing Revenues: Record High Year

Total Cash Collections Administered by Taxation



Refunds: Current Queue Less than 1% of Total



*2016 Estimate based upon internal analysis

Personal Income Tax: Lessons Learned

- Capturing 2016 “**lessons learned**”
 - Revised refund strategy to **accelerate payment** and **manage expectations** in fraud environment
 - **Staffing review** and **upgrade** in process
 - Adjusting **fraud analytics** and review levels
 - Addressing increased employee **return review targets** and Auditor General’s “100% mandate”
 - Introducing both core **software** and **scanning** technology refinements
 - Proactive partnering with RSI, Fairfax and third party software vendors (TurboTax, TaxCut, etc.) to **reduce data importation error**
 - Substantial process improvements implemented from first year **experiential gains** (paper and e-filing)

Personal Income Tax: Lessons Learned

- Focusing on elimination of **taxpayer errors** which now heavily impact modern system performance:
 - Tax form enhancements
 - Proactive taxpayer/tax preparer education and training
 - Encourage electronic filing which is faster, reduces errors, and cuts costs
 - Enable personal income tax payments on-line via credit card
- Implementing rigorous **statistical analysis** to screen and select key returns for faster release

Communication Strategy: Transparency

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

Sample Dashboard

3rd Party Software Vendors (i.e. TurboTax)

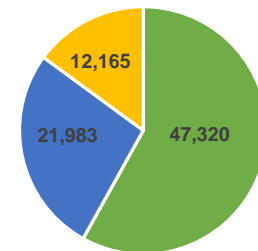
- Improve communication and education with dedicated support line
- Expedite approval process

Other Stakeholders/Constituent Affairs

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

Online Services >>

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



■ Phone Calls 58% ■ Walk In Assistance 27% ■ E-mail 15%

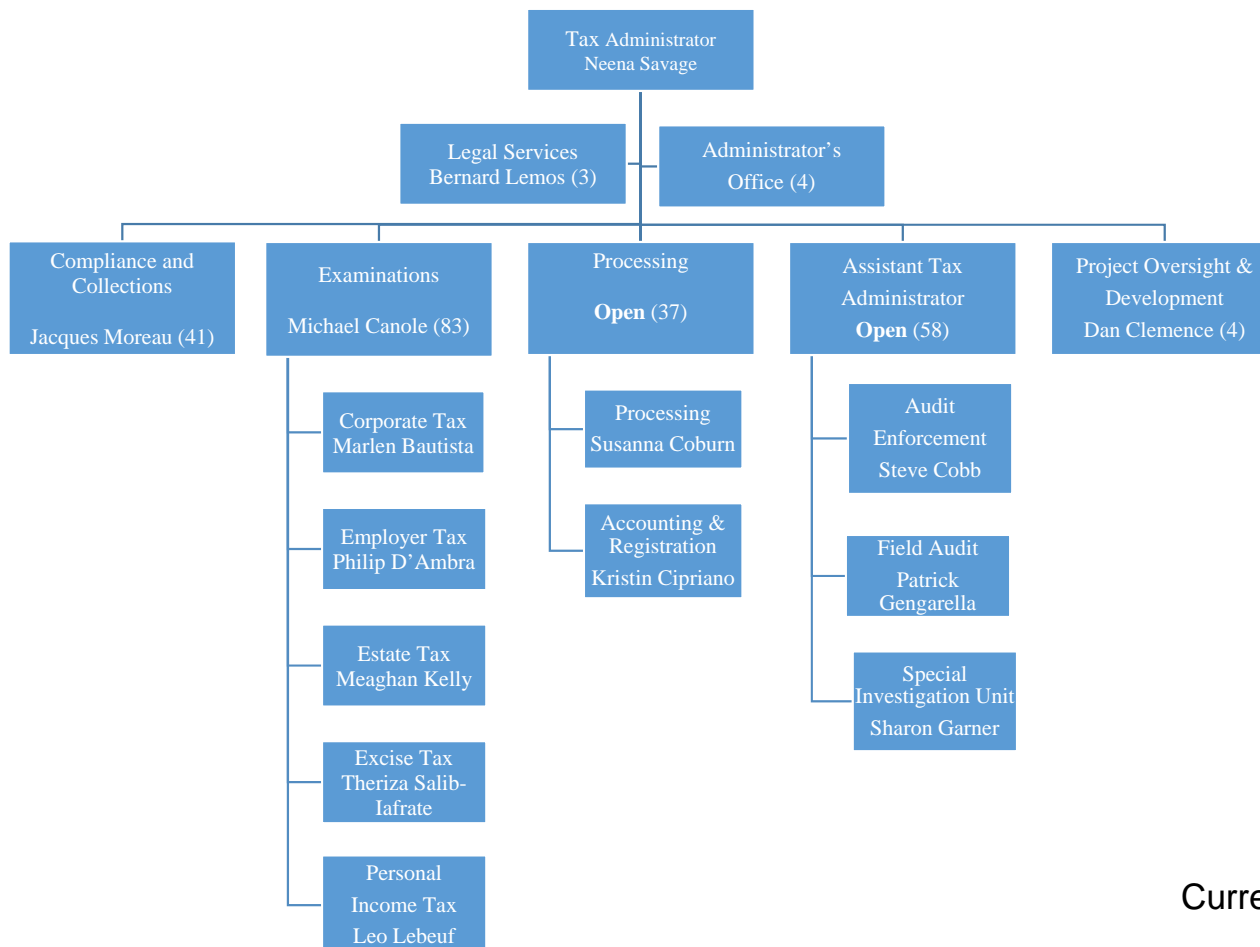
2017 Communication Strategy: Managing Expectations

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

2017 Staffing: Meeting New Challenges

- Continuing **Lean Government Initiative** completed in 2016
 - Analyzing, improving, and streamlining processing of returns and payments
 - Driving innovation and continuous improvement
- **Enhancing staff** in Tax Processing (1 Supervisor) and Personal Income Tax (2 Taxpayer Specialists and 1 Revenue Agent)
- Adding additional **seasonal staff** in Tax Processing (5-10 temps)
- Evaluating **second shift** in Tax Processing
- **Cross-training** current and seasonal staff to redeploy peak resources as needed

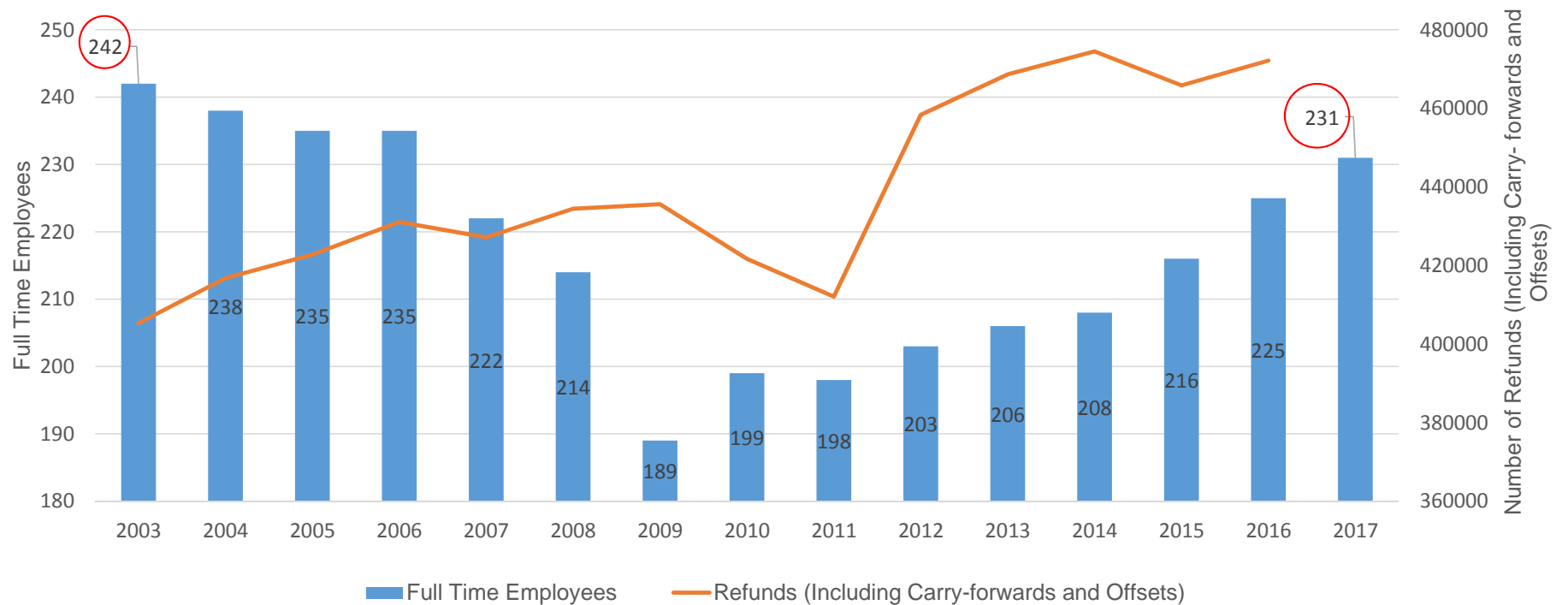
2017 Staffing: Reconfiguring Talent to Match Changing Fraud and Tech Demands



Current FTEs = 231

2017 Staffing: Returning to Normal

FTEs still 5% below 2003 despite new responsibilities



Refunds and Personal Income Tax: Next Steps

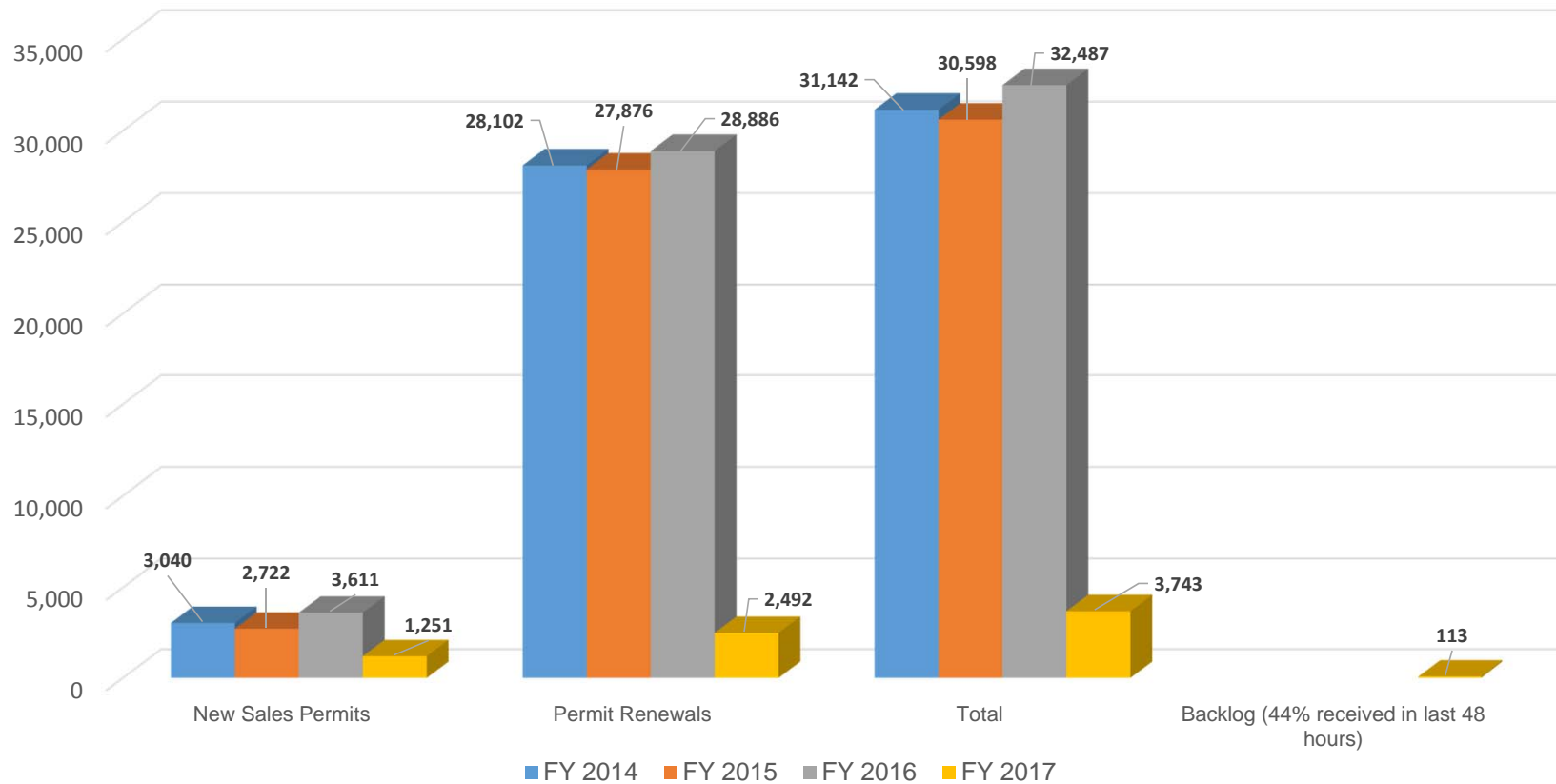
- Capture “**lessons learned**” modifying procedures using LEAN processes
- Drive **productivity and speed** with STAARS and online portal development
- Address ongoing and peak **staffing requirements** as well as **organizational caliber**
- With 2016 refunds in check, **prevent 2017 backlog** while managing expectations and monitoring Tax Processing team closely
- Improve **customer service** and response times
- Provide more transparency to our stakeholders through stepped up two-way communication

Retail Sales Permits: Status

- Retail Sales Permits use the Business Application Registration “BAR” to enable registration and collection of sales tax
 - Also ensures compliance with multiple business regulations and other taxes
- Current application queue stands at 113
 - 44% received between 1/18 and 1/19
- Currently adding a dedicated “Retail Sales Permit” icon to the website to streamline the process

Retail Sales Permits: Growing with Minimal Backlog

Retail Sales Permits FY Totals



Appendix

Taxpayer Confidentiality

Confidentiality Provisions

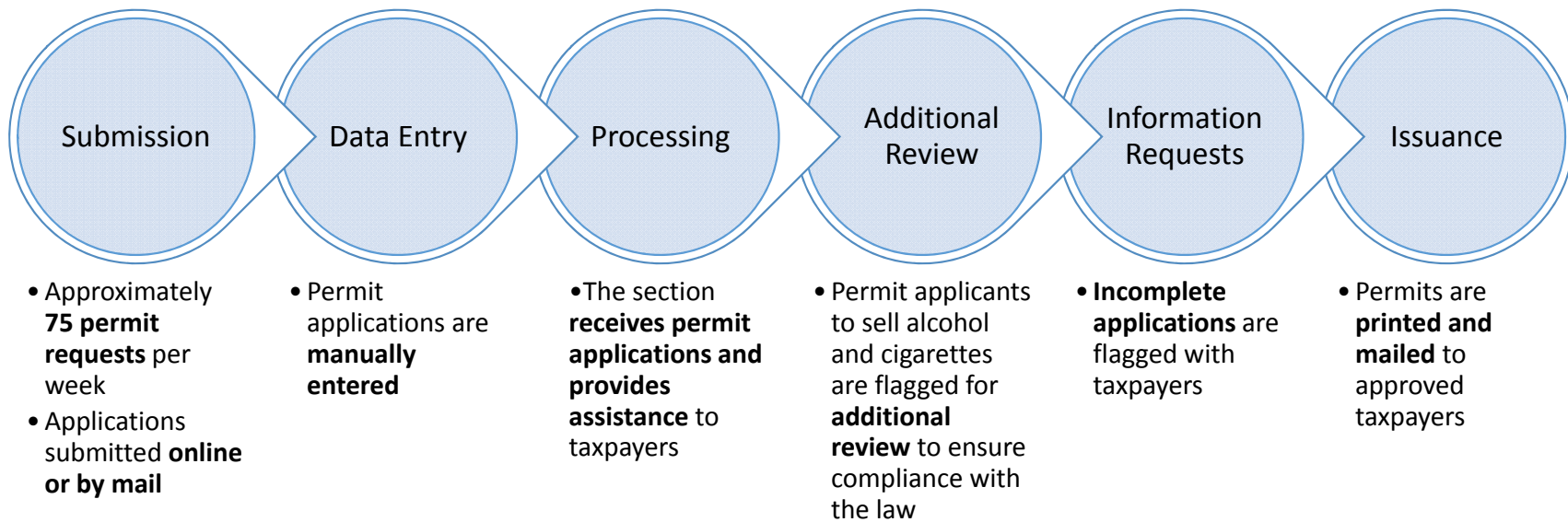
- R.I. Gen. Laws § 44-30-95 limit the ability of the Division of Taxation to divulge or make known any information in connection with an individual Personal Income Tax or Corporate Income Tax return.

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.)

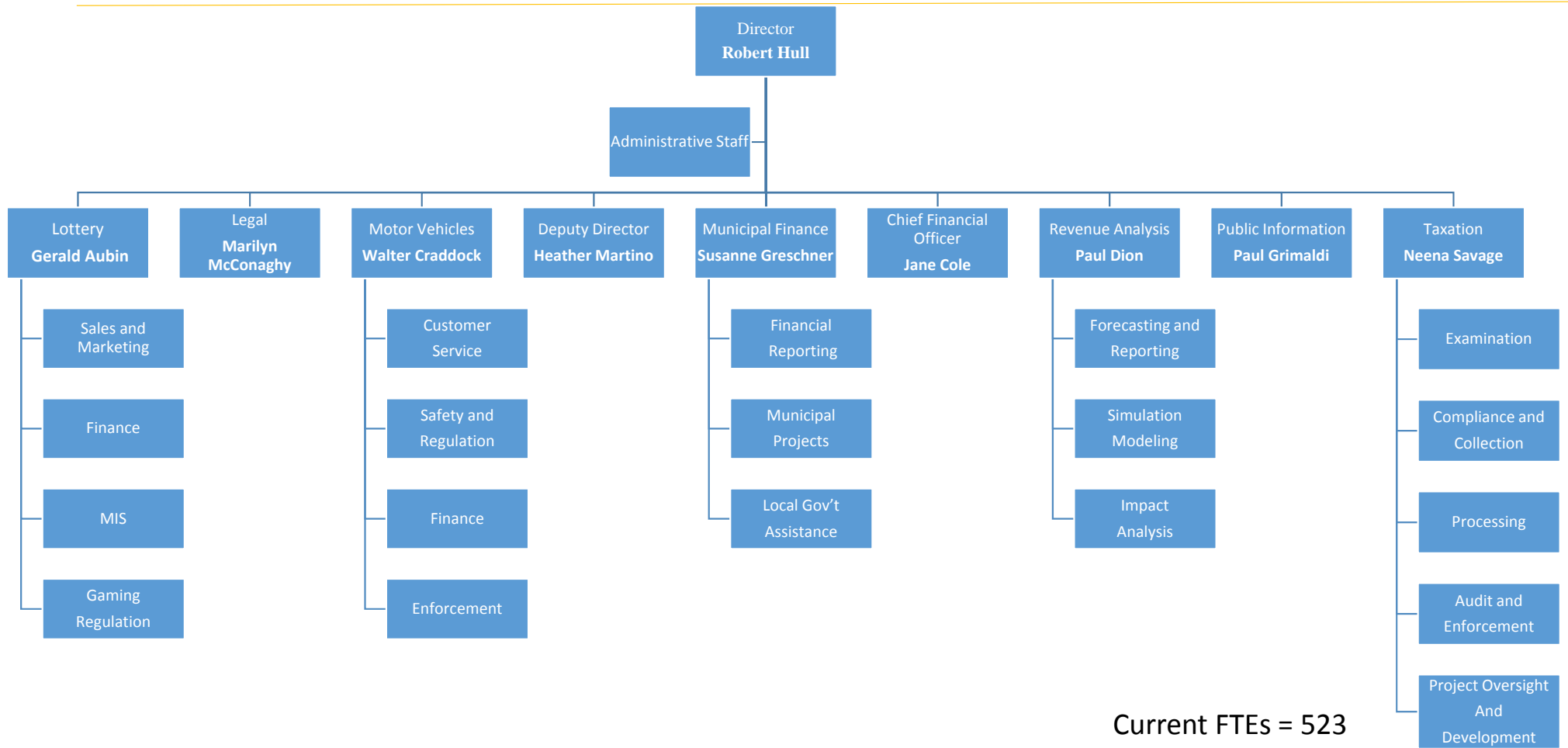
Retail Sales Permits: Application Process

The Permit Application Process



Renewal process uses scannable coupons

2017 DOR Overall Staffing



Current FTEs = 523

Retail Sales Permits: Contact Information

Registering for a Retail Sales Permit

- Registration for new businesses is available online using the B.A.R. form (link below): <https://www.ri.gov/taxation/BAR/>
- Forms may also be submitted by mail, using the forms found at: http://www.tax.ri.gov/forms/2015/Excise/Sales/TX_BAR_07202015.pdf
- It is highly recommended that business owners fill out the sample copy first in order to ensure they have all the information they need (link below): <http://www.tax.state.ri.us/forms/1999/with/bar.pdf>

Retail Sales Permit Renewals

- For renewals: <https://www.ri.gov/taxation/business/>

Taxation: Contact Information

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

Hours: 8:30am-3:30pm

E-mail: 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
- 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>