

BEYOND ENFORCEMENT: PRIORITIZING VOLUNTARY COMPLIANCE

Commissioner Kevin Sullivan

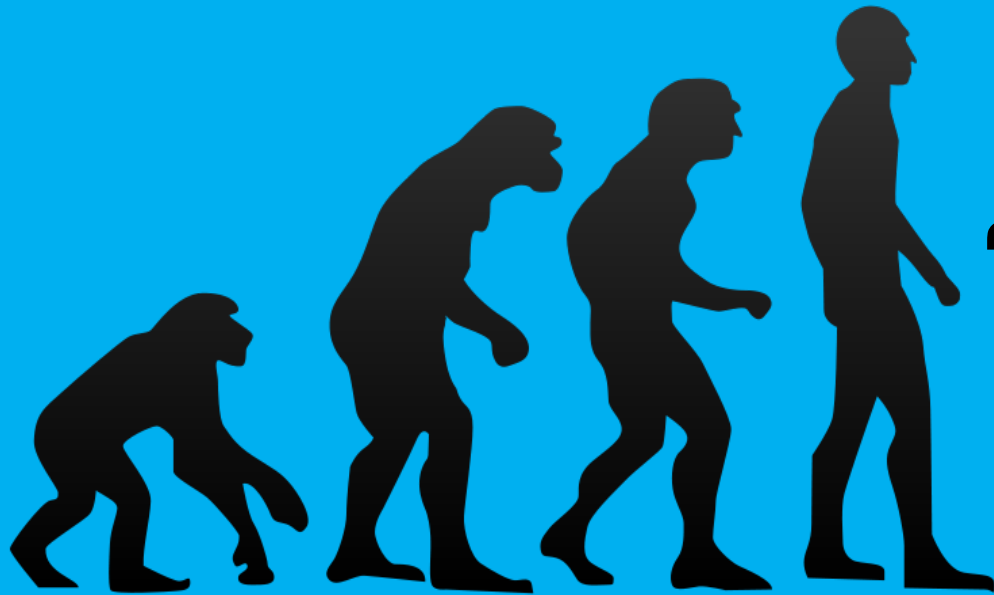
FTA Annual Meeting 2016



EVOLUTION OF TAX ADMINISTRATION

“Walk softly and carry a big stick.”

“You’ll get more with a smile and a gun than with a smile alone.”



“Audit rules!”

CORE MYTHS ?



- **Given the opportunity, people always cheat.**
- **Compliance is best procured by vigorous enforcement and enforcement alone, if only there were resources to do enough of it, would get the job.**
- **The law must be uniformly applied.**
- **Processing and enforcement must be functionally separated.**

Malcolm Sparrow, *Imposing Duties: Government's Changing Approach to Compliance*

MESSAGE MATTERS

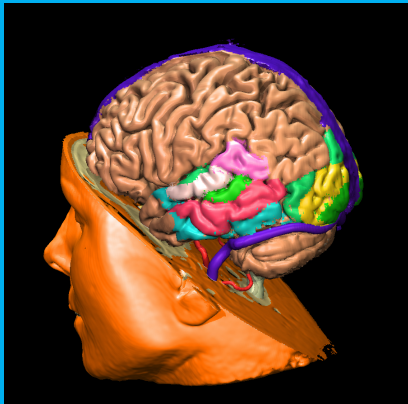
Feelings are millions of years older than the conscious thought processes we call reason and have been guiding behavior for far longer.

- Drew Westen, *The Political Brain: The Role of Emotion in Deciding the Fate of the Nation* (2007)

“Everybody does it.” - What we expect is what we get.

Hyper-enforcement assumes, messages and models bad human behavior.

Voluntary compliance assumes, messages and models good human behavior.



Please and thank you

Duty, not obligation

Fairness

Good citizen, good neighbor

WHAT DO YOU VALUE?

Just look at your agency compensation & spending hierarchy:

- **Front-end services?**
- **Back-end compliance?**

Return on investment.

2015 McKinsey & Company benchmarking:

- **Higher investment = higher performance for collection & examination**
- **Lower investment = lower performance for registration & submission**



DOES IT REALLY MATTER ?

$$\text{Productivity} = \frac{\text{Value}}{\text{Cost}}$$

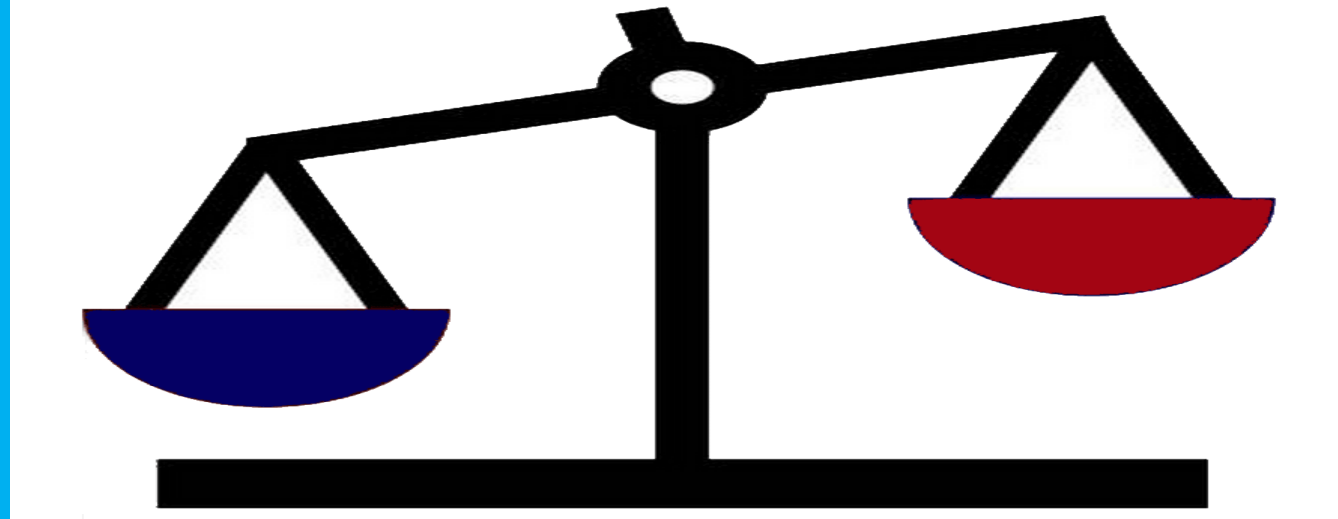
- **Better outcomes (less correction)**
- **Less expense**
- **Smaller tax gap**
- **Public support**

WHAT MAKES A DIFFERENCE ?

- **Tone: Message positive expectations**
- **Behavior: Model what you expect (responsiveness, timeliness)**
- **Information: Education & communication**
- **Relationships: Whole taxpayer, business payer concierge**
- **Right from the start risk management: Registration, first-time filers, first-time delinquents**
- **Service agency – especially taxpayer self-service**
- **Smart collections: Automated scoring, data matching & face time**
- **Co-operative compliance: Settlement**
- **Technology: Chat functionality & tax apps**
- **Selective consequences: Timely collections, timely audit, business closure, seizure & arrest**

STRATEGIC BALANCE

TAX ADMINISTRATION 2015 (OECD)



SERVICE

ENFORCEMENT

TOP 10 WAYS TO IMPROVE SERVICE

10. Convenient self-service arrest locations.
9. Taxpayer services “within your lifetime” call-back guarantee.
8. Tax credit “gift” certificates.
7. Interest on tax delinquencies deductible as “bad debt.”
6. All agency employees named “Someone.”
5. New, on-line “tax instructions-to-human language” translator.
4. Taxpayer advice reliance no longer limited to duration of phone call.
3. Refunds issued on casino debit cards.
2. Auditors no longer trained in water-boarding.
1. Revolving office door for top state tax administrators.

