

# **Sales Tax Desk Review – Expanding Compliance Tools to Address Sales and Use Tax Non- Compliance**

**FTA Technology Conference**

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- Problem Statement
- Funding Considerations
- Solution Overview
- Project Process
- Implementation
- Questions

## Business Problem

- Need to address non-compliant taxpayers with additional approaches
  - Lack of technology to aggregate all available state and federal tax information, supplemented with additional state agency data.
  - Inability to access commercial data.

## Solution

- Utilize data warehouse and analytics technology
- Need to establish a desk review unit
- Conduct desk review

## Funding Considerations

- Appropriations are difficult to come by, especially for new initiatives. There is agency capacity (HR and IT infrastructure) to manage additional high-value programs, but only if funding can be found.

## The Solution

- Agencies are empowered to enter into contracts paid for by the additional revenue collected, or costs saved, by the project.

## Funding the Program - Advantages

- *We pay only for success.*
  - The vendor added to existing processes. This made the benefits baseline ZERO. The vendor shares our goal and metric – identify potential non-registrants, non-filers and under reporters
- *We established a successful partnership.*
  - Vendor tax subject matter expertise (SME) helps refine and improve our business processes as part of this public-private partnership.
- *We acquired desired technology.*
  - Project-specific data warehouse was acquired.

- Department needs to accurately and effectively identify taxpayers who are responsible to collect and remit sales, use and hotel occupancy taxes and are not in compliance.
- To establish a strong partnership with a vendor that was financially incented to continually innovate and work hand in hand with the department.

## Bridging the Tax Gap

- Current Status
  - Field audits conducted by department
  - Department review of tax payments and tax filings
  - Single transaction use tax enforcement
- Future
  - Desk reviews performed on non-registrants, non-filers and under-reporters
  - Improved compliance and increased tax collections
  - Increase in department efficiencies

- **Interoffice Communication and Coordination**
  - Other business units' casework
  - Consistency on tax policy and practices
  - Avoid duplicate contacts
- **Validate Lead Selection Criteria**
  - Participate in definition of lead criteria
  - Pilot before ramping up
- **External and Internal Outreach**
  - Fall tax seminar
  - PICPA
- **Taxpayer Education**
  - Encourage amended returns vs issuing assessments
  - Encourage self registration (PA-100)

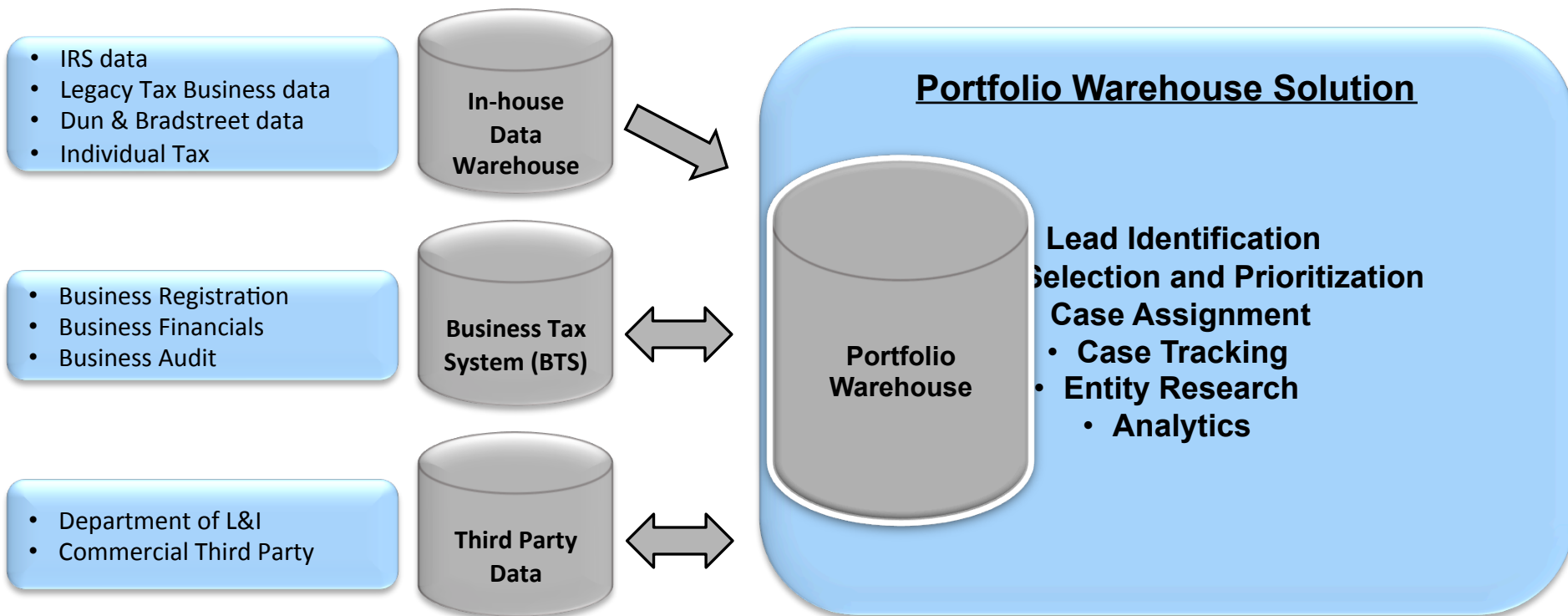


- Collaboration between DOR and vendor to establish business rules, review current state analysis, selection criteria and business process.
- Incorporated Contractor Resources:
  - Data warehouse infrastructure
  - Data analytics infrastructure
  - Subject matter (tax compliance) expertise
- Interface with current processing system to prevent inefficient work effort from DOR.
- Use of historical and third party data

## Data used to Validate Selection Criteria:

- DOR's legacy tax business data
  - Business registration
  - Business financials
  - Business audit
- IRS data
- Dun & Bradstreet data
- Labor and Industry data
- Other commonwealth agency data

# Implementation



## Data Warehouse (using Analytics)

- Lead selection
- Lead refinement
- Lead prioritization

## Case Management

- Workflow
  - Lead assignment and ownership
  - Lead tracking
- Automated correspondence generation
- Automated assessment

- Initial Programs
  - Web based home sharing
  - Contractor use tax
  - Online auctions / sale / service
    - Angie's list
    - Craigslist
    - Ebay
  - Cross registration
  - Under reporters



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