



Tax Agency Long-Term Modernization - Incrementally

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Introductions

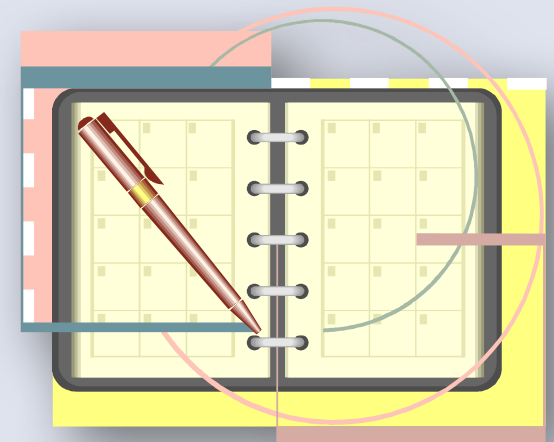


- Neena Savage
 - Tax Administrator
 - Rhode Island Division of Taxation

Agenda



- A Great Story...
- Incremental Modernization
- Business Case
- Implementation Overview
- Success Factors
- Conclusion
- Q&A



Incremental Modernization



- 10 Years of IT Modernization
 - First 5: Incremental Modernization
 - Beginning in 2007, the RI Division of Taxation started on a 5-year journey to modernize the agency in preparation for eventually receiving funding for the following 5 years
 - Following 5: ITS procurement and implementation
 - In 2012, the Taxation received funding to proceed with its Integrated Tax System implementation, most recently completing a successful Release 3 “go-live” in November of 2016

First 5: 2007 - 2012

Incremental Modernization



Project Name	Sections Impacted	Project Highlights
<ul style="list-style-type: none">• Data Warehouse 2007-2009	<ul style="list-style-type: none">• Office Audit• Personal Income Tax• Programming	<ul style="list-style-type: none">• Warehouse foundation established• Conversion/refresh of all mainframe taxes• Data sources from external agencies• Established framework for automated• Compliance Programs for Office Audit
<ul style="list-style-type: none">• Case & Correspondence Management 2008 – 2009	<ul style="list-style-type: none">• Field Audit• Business Taxes• Programming	<ul style="list-style-type: none">• Retirement of legacy audit system• Conversion of all open audits• Consolidated 75+ bills down to five• Audit history now accessible to auditors
<ul style="list-style-type: none">• Modernized e-File (MeF) 2009 - 2011	<ul style="list-style-type: none">• Processing• Programming	<ul style="list-style-type: none">• Retirement of legacy e-file system• RI one of first states to process Federal 1040• Continued to include 1065 and 1120 /1120S• established process for creating XML schemas
<ul style="list-style-type: none">• Data Warehouse Initiatives & Collections Management 2010 – 2012	<ul style="list-style-type: none">• Collections• Programming	<ul style="list-style-type: none">• Retirement of legacy Collections system• Consolidated Statement of Account• Letter of Good Standing (LOGS) process

First 5: 2007 - 2012

Incremental Modernization



- During this five year period:
 - Completed multiple successful projects
 - Gained invaluable experience working with RSI
 - Enhanced Staff Familiarity and Experience
 - Managed IT projects
 - Gained an understanding of more modern technologies
 - Provided staff with foundational training and knowledge which would carry forward

Business Case



- With the successes of the incremental modernization well underway and a **six-to-one** return on investment from benefits attributable to this early work, the Division of Taxation moved to building its business case for an ITS with Legislature.

Business Case



- Tax Division administers 57 different tax/fee types and collects nearly \$3 billion a year
- Previous legacy system used assortment of computer systems, most of which stood alone and were not integrated
- For the 5 major tax types, legacy mainframe system was developed over 40 years ago, written in COBOL, and very costly
- For the other 50 taxes and fees, Tax Division used Access Databases of Excel spreadsheets in off-line systems.

Following 5: 2012 - 2017

ITS Implementation



RFP Process

Timeline	Tax Types	Sections Impacted
<ul style="list-style-type: none">• 10 months• May 2013		Key stakeholders from all Taxation and IT sections involved

Key Objectives

Sought COTS Software through competitive bid process with a fixed budget. Key objectives:

- Replace aging and inflexible legacy systems using new technology
- Improve to business processes and address long-standing system limitations
- Prepare the agency to quickly adapt to changes in the future
- Transition existing compliance functions to avoid revenue impact
- Desire to maintain system with state staff following conclusion of project

• Results

- Selected Revenue Solutions, Inc. and their Revenue Premier Enterprise software for the Integrated Tax System along with partner Fairfax Imaging and their Quick Modules software for Imaging and Data Capture.

Following 5: 2012 - 2017 *ITS Implementation*



Release 1

Timeline	Tax Types	Sections Impacted
<ul style="list-style-type: none">• 14 months• July 2014 go-live	<ul style="list-style-type: none">• 36 contracted, 48 upon closer review• Excise, Miscellaneous Corporate, Fees	<ul style="list-style-type: none">• Tax Processing• Corporate Tax• Excise Tax

Key Objectives

- Minimize implementation risk by standing up full solution in Release 1
- Set the foundation for operating efficiencies into the future
- Standardize process and procedures, minimizing costs associated with training
- Establish modern agency operational procedures (e.g., configuration management, security plans, etc.)
- Standup Front-end Imaging and Data Capture System
- Establish Organizational Change and Training

Results

- Release 1 of the ITS was implemented on-time and on-budget and supported taxpayer registration, return/payment processing, taxpayer accounting, revenue accounting, collections, audit, tax data warehousing, decision analytics, business intelligence, case/workflow management, correspondence management.

Following 5: 2012 - 2017

ITS Implementation



Release 1.5

Timeline	Tax Types	Sections Impacted
<ul style="list-style-type: none">• 6 months• December 2014 go-live	<ul style="list-style-type: none">• International Fuel Tax Agreement (IFTA)	<ul style="list-style-type: none">• Tax Processing• Excise Tax

Key Objectives

- Bring full processing of IFTA in-house
- Demonstrate ability to configure a new tax type, beginning to end, in relatively short timeframe without impacting the larger ITS project

Results

- Release 1.5 of the ITS was implemented on-time and on-budget and supported full ITS system functionality for IFTA.

Following 5: 2012 - 2017

ITS Implementation



Release 2

Timeline	Tax Types	Sections Impacted
<ul style="list-style-type: none">• 15 months• October 2015 go-live	<ul style="list-style-type: none">• Personal Income Tax• Composite Income Tax• Fiduciary Income Tax• Pass-thru Withholding	<ul style="list-style-type: none">• Tax Processing• Income Tax• Collections• Office Audit

Key Objectives

- Begin retirement of Mainframe System
- Greater automation of returns processing edits
- Higher configurability of refund fraud rules
- Consolidated Individual Collections
- Apply business process improvements derived from Release 1
- Resolve safeguards issues resulting from security limitations in legacy systems

Results

- Release 2 of the ITS was implemented on-time and on-budget and continued the momentum of modernization, including Personal Income Tax (PIT) and Collections as well as many additional features such as lien and levy issuance, payment agreements, license blocks program with other agencies, auto amended return, integrated MeF processing, payment claiming and recycling, lockbox payment processing, one click billing, payment coupon processing, auto registration, internal and external offsets, refund fraud checks, partial refunds and many more.

Following 5: 2012 - 2017

ITS Implementation



Release 3

Timeline	Tax Types	Sections Impacted
12 months November 2016 go live	<ul style="list-style-type: none">16 taxes, remaining business taxes including Corporate, Sales, and Withholding	<ul style="list-style-type: none">Tax ProcessingCorporate TaxEstate TaxCollectionsField Audit

Key Objectives

- Full retirement of Mainframe System
- Entire agency using vendor supported software for all primary responsibilities
- Establish standardized approach to audit workpapers

Results

- Release 3 of the ITS was implemented on-time and on-budget and the system now provides a full suite of processing and administration functionality for 58 taxes and fees, administered by Taxation's 230 system users, collecting nearly \$3 billion per year to fund vital public services throughout Rhode Island.

Success Factors



■ Vision

- Taxation recognized that for the state of Rhode Island, it would be important to plan out incremental modernization to write a story of proven success and return on investment in order to build a business case for the funding required for an ITS.

Success Factors



■ Leadership

- This is required at all levels, from Legislature, to Tax Administrator, to the key stakeholders assembled on project steering committee, to the group of staff assembled to drive the daily work of the project.
- Without strong leadership throughout the agency, projects of this magnitude and be extremely challenging to manage.

Success Factors



■ Partnership

- It is critical to establish strong partnerships between all the key players in projects of this size (e.g. Taxation, Programing Staffing, DOIT support, 3rd party vendors, etc.).
- Taxation is proud of the partnership established with Revenue Solutions, Inc. (RSI), the prime vendor in these IT modernization efforts.
- Know your limits
- Labor/Management: Communication

Success Factors



■ Focus

- It is important to properly prioritize and focus the agency's collective effort to ensure that the Vision, as established by agency Leadership and driven in concert with the various Partnerships, will be delivered on time and on budget.
- This may mean making difficult decisions along the way to ensure the overall success of the project.

Success Factors



■ On-Going Innovation and Collaboration.

- The culture of innovation and collaboration that developed during the project has been transformational for the agency.
- The notion of bureaucratic inertia to organizational change has been replaced with optimistic problem-solving to streamline functions.
- The Division of Taxation will leverage the integration of all tax types and functions into one system to promote opportunities for revenue enhancement and further operational efficiencies.
- The integration also creates opportunities for collaboration on enterprise-wide fraud throughout state government using tax data as a foundation.

Conclusion



- The Rhode Island Division of Taxation operations and technology modernization project provides a model for other tax agencies to follow in their own quest to improve operations and technology.

Questions



Contact Details

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