

Executive Summary

Prior to the creation of the Online Tax Estimation application, the setup and payment of tax estimations was a completely paper-based process. Estimations filed through the Online Tax Estimation program eliminates the paper requirement by securely interfacing with the Department of Revenue's IT division in addition to processing all payments received for the Alabama Department of Revenue (ADOR) in a similar process to e-filing.

The Online Tax Estimation application is in its first year of operation. More than one thousand citizens, businesses and tax preparers have set up accounts since March of 2006 and currently have the option of making quarterly payments online. The process begins with the user setting up a username and password and selecting their filing status as Individual, Corporate, or Tax Preparer. The user then enters their required information. Once the user submits this information, an email is generated notifying them that their account is active and that their information has been received.

After activation, the taxpayer may log into the system using their login and password. Once logged in, users may make a one-time payment, setup recurring payments, update or cancel payments, view their payment history, update address information, update billing information, change their password, or delete an account.

Alabama is one of the first states in the nation to offer its citizens the option of setting up recurring payments for tax estimation payment purposes, also known as warehousing payments. The system securely maintains the taxpayer's information offering a convenience to those who wish to pre-schedule quarterly payments so that they are required to only enter their account information once.

The unique self-funded partnership between Alabama Interactive (AI), the official eGovernment services provider for the State, and the State of Alabama allowed the Online Tax Estimation program to be created with no upfront development costs to ADOR. AI recoups its development, maintenance, and hosting costs via a transaction based model, whereby ADOR pays a small fee for each voucher payment filed.

A number of benefits have been realized by the creation of the Online Tax Estimation Application. These benefits are felt by both ADOR and the taxpayers. Taxpayers can now rest easy knowing that their tax estimation payments will be made on time if they choose to setup recurring payments. The application removes the necessity to depend on conventional mail to deliver their estimation payments on time. ADOR benefits from the reduction of imaging and storing of paper requests and the processing of payments when completed online.

A. Concise description of the business problem and solution, including length of time in operation.

Prior to the creation of the Online Tax Estimation application, the setup and payment of tax estimations was a completely paper-based process. Through the paper-based process citizens, businesses, and tax preparers are required to file paper vouchers on a quarterly basis with checks for the amount they owe. In addition, taxpayers must rely on conventional mail processes to ensure the timely delivery of their estimated payments. The paper tax estimation documents received by the Alabama Department of Revenue (ADOR) currently have to be handled and sorted multiple times before they are converted to digital documents. ADOR is focused on automating data collections and transferring paper documents from file drawers to a digital filing system to help ensure data integrity and accessibility. Estimations filed through the Online Tax Estimation program eliminates the paper requirement by securely interfacing with the Department of Revenue's IT division in addition to processing all payments received for ADOR in a similar process to e-filing.

The Online Tax Estimation application is in its first year of operation. Over one thousand citizens, businesses and tax preparers have set up accounts since March of 2006 and currently have the option of making quarterly payments online. Quarterly tax payment due dates depend on whether the individual is paying on a fiscal or calendar year basis. The calendar year utilizes a payment date of April, June, September, and January (January of the next calendar year). Fiscal year filers follow the same timeframe, but may run on varying months (for example- May, July, October, February) depending on the fiscal year of the individual.

The Online Tax Estimation application was created to be intuitive and easy to use. The process begins with the taxpayer setting up a username and password and selecting their filing status as Individual, Corporate, or Tax Preparer. The user then enters their information: Primary and Secondary name and Social Security Number, address, phone, fax, and email (email is required for the system to process online estimations). Lastly, the user is required to setup account information indicating the desired account that payments should be made from throughout the year. Once the user submits this information, an email is generated to the taxpayer letting them know that their account is active and that their information has been received.

After activation, the taxpayer may log into the system using their login and password. Once logged, in users may make a one-time payment, setup recurring payments, update or cancel payments, view their payment history, update address information, update billing information, change their password, or delete an account.

Alabama is one of the first states in the nation to offer its citizens the option of setting up recurring payments for tax estimation payment purposes, also known as warehousing payments. The system securely maintains the taxpayer's information offering a convenience to those who wish to pre-schedule quarterly payments so that they are required to only enter their account information once. While scheduling recurring payments, citizens select their voucher payment periods (the dates that payments are due to ADOR) which are displayed with blank payment boxes and dynamic date selection for each voucher period. Payments may be made on any date prior to or on the due date and may be made in any amount as long as the total amount due is paid by the end of the tax year. The system generates two reminder emails which are sent seven and two days before a payment is scheduled to remind the taxpayer that a debit will occur in their bank account. Once a payment is successfully made, the user receives an emailed receipt of their payment and ADOR will receive the electronic data.

B. Significance to the improvement of the operation of government.

The largest improvement to the operation of government via the Online Tax Estimation application is eliminating the need for manual processing of tax estimation documentation and streamlining the electronic payment process. ADOR is in the process of digitally warehousing all current paper applications found in file rooms and storage facilities throughout the Department. Through the use of this application, imaging documents is no longer necessary, removing a costly procedure for the department.

Data processing time is greatly reduced by the Online Tax Estimation application. Alabama receives online funds electronically into their account reducing the wait time for document processing as well as pleasing auditors by eliminating paper check handling.

In addition, employees are no longer required to handle any documents or money received online and can review the database of tax estimation information sent securely to the Department.

C. Benefits realized by service recipients, taxpayers, agency or state.

A number of benefits have been realized by the creation of the Online Tax Estimation Application. These benefits are felt by both ADOR and the taxpayers. Taxpayers can now rest easy knowing that their tax estimation payments will be made on time if they choose to setup recurring payments. The application removes the necessity to depend on conventional mail to deliver their estimation

payments on time. ADOR benefits from the reduction of imaging and storing of paper requests and the processing of payments when completed online.

D. Realized return on investment, short-term/long-term payback (include summary calculations).

The unique self-funded partnership between Alabama Interactive (AI) and the State of Alabama allowed the Online Tax Estimation program to be created with no upfront development costs to ADOR. AI recoups its cost via a transaction based model, whereby ADOR pays a small fee per voucher payment filed.

The financial cost associated with processing the transactions online is within the same range as processing a manual payment at current volumes. However, ADOR received an immediate savings by avoiding all upfront costs in developing this application. While ADOR benefits from streamlining document collection and retention, the real return on investment is derived by providing conveniences and tools to the taxpayers who have come to expect these services. Now, because of the innovations put in place by ADOR, taxpayers can schedule their estimated quarterly tax payments from the convenience of their homes, which is quite possibly a first of its kind for this type of application. Citizens no longer need to pay for postage, certified checks, or other handling fees normally associated with ensuring a tax payment reaches the tax office via the mail carrier.