

NASCIO Recognition Awards- Nomination Form

Title of Nomination: Electronic Tax Filing and Payment Program

Project/System Manager: Pamela Hill

Job Title: Electronic Filing Coordinator

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Category for judging: Government to Business (G2B)

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Executive Summary

Companies doing business in Alabama are required to file monthly tax reports for State and Local Sales, Use, Rental and Lodgings, Withholding and other taxes. Although the ADOR administers all State tax returns, the local taxes are administered by the state and by various tax administrators on behalf of the locality. Based on how many localities a business is located in, a business might complete as many as fourteen separate, paper tax returns, each of the forms requiring complex calculations and payment of the particular tax. Through the paper process, businesses might incur significant costs associated with having a tax professional file their taxes or the staff-hours required to complete the filings. Additionally, many businesses had to pay costs associated with certified mail or express delivery in order to guarantee that their filings were delivered in a timely manner.

Once the Department of Revenue received a filing, staff members would then review each form for correct calculations, enter the information into the department's database, process the check and ensure that the taxpayer was credited for filing. Overall, the process was extremely labor intensive for both the taxpayer and the agency. In order to alleviate a majority of the work involved for both the agency and the taxpayer, enhancing customer service, and to create efficiencies for the state, the Alabama Electronic Tax Filing and Payment Program was born.

Now, Alabama Electronic Tax Filing and Payment Program enables Alabama businesses to electronically file a wide range of taxes, including state and local sales, use, rental, lodgings and income tax withholding 24 hours a day, 7 days a week.

In order to use this free Electronic Tax Filing Service, businesses must have tax account numbers with the Alabama Department of Revenue and, because users of the online service are required to pay their taxes via pre-authorized Electronic Funds Transfer, or EFT, users must establish an EFT account with the Department of Revenue, which is quite simple.

With the new online tax filing service, business owners and tax professionals are proving the adage that "time is money." The system includes several features to reduce costs and save time through filing efficiencies. Online filing performs all calculations for the user, eliminating frustrating math errors and minimizing over and/or underpayments. The system also stores key contact information for future use, which saves time since users do not need to enter duplicate data each time they log in.

A) Description of Project, including length of time in operation.

Since early December of 2002, the Alabama Electronic Tax Filing and Payment Program has revolutionized monthly business-tax payments for companies doing business in Alabama. This program allows users to log in to a secure site and complete the applicable tax forms for their account, online, and submit electronic payments. The application process follows a simplistic and user-friendly four-step approach.

Step 1: All taxpayers utilizing the system must have Electronic Funds Transfer (EFT) status.

Step 2: The taxpayer registers with their Alabama Department of Revenue (ADOR) account number and online sign-on id (provided by the ADOR).

Step 3: The taxpayer logs in using their self-generated username and the system-generated password provided during registration.

Step 4: The taxpayer begins filing and paying their taxes online.

- a) Taxpayer selects the type of form(s) they would like to file.
- b) Taxpayer completes the required tax information on the form.
- c) The system then automatically calculates the correct tax liability.
- d) The taxpayer can then save the form and complete additional filings, save it for further review, or save the form in order to submit for processing.
- e) Once the taxpayer has completed all tax returns and is satisfied that the return is correct, the return is submitted electronically, to the ADOR. By submitting the forms, an ACH Debit filer authorizes the ADOR to initiate payment through EFT, for the tax liability. All ACH Credit filers must initiate their payment transaction.

Demo URL: https://www.alabamainteractive.org/cgi-bin/ador/demo/online_tax/sales_tax.cgi

Service URL: https://www.alabamainteractive.org/cgi-bin/ador/online_tax/sales_tax.cgi

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

The ADOR has reaped the rewards of the Electronic Tax Filing and Payment Program through internal efficiencies. A data entry operator entering paper returns utilizes an 8-hour workday processing about 600 returns. The electronic program processes all electronically filed returns in a matter of minutes regardless of how many filed. This affords the ADOR

the opportunity to utilize employee resources in other needed areas used to serve taxpayers. The successes of the Electronic Tax Filing and Payment Program have generated demand within the ADOR and other Alabama agencies for additional online services, including initial taxpayer account registration, refund status verification and more.

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

The taxpayer constituents using the Electronic Tax Filing and Payment Program have benefited greatly by access to online filing. The program provides the following benefits: accurate tax rates; automatic calculations; customized returns; full electronic filing; e-mail confirmation; no more paper forms, checks, stamps or envelopes; no software required. One tax professional, Nick Mehta, a tax accountant with CCI, Inc., was able to quantify the benefits, saying, “At a minimum, we are saving \$25 per filing each month” by using Alabama’s Electronic Tax Filing and Payment Program.

D) Return on investment, short-term/long-term payback (include summary calculations). Projects must exhibit measurable operational benefit.

In order for the electronic Tax Filing and Payment Program to be of real benefit to the State of Alabama, it had to be developed cost-effectively. By utilizing the public-private partnership between the state and Alabama Interactive, a subsidiary of NIC, the state was able to provide companies doing business in Alabama with the valuable Electronic Tax Filing and Payment Program with no up-front cost to the agency or state. Rather, the costs associated with development are recovered on a transaction basis per filing, paid by the Department of Revenue. So, as Alabama’s Electronic Tax Filing and Payment Program continues to grow in popularity, efficiencies and cost savings are generated for citizens, businesses and the state of Alabama.

Cost Analysis:

Hours to develop the Electronic Tax Filing and Payment Program: 480

Cost for Development using Time and Materials Model: \$48,000 (480 hours at \$100/hour)**

**Hourly fee determined in the contract between the state of Alabama, Information Services Division and Alabama Interactive (see <http://www.alabama.gov/egov/pdfs/e-gov%20Contract%20Agreement.pdf>, page 10).

In addition to the savings for initial development of the Electronic Tax Filing and Payment Program saves the state dollars associated with printing and mailing of paper forms, data entry, processing checks, fees associated with bad checks, filing forms, warehousing costs and other costs associated with paper processes.

The coupling of cost savings provided by transitioning a paper process to an electronic process, and the savings of development on a transaction-recovery model, versus a time and materials model, the state had achieved instantaneous return on investment and will continue to reap the benefits of the Electronic Tax Filing and Payment Program.