

Title of Nomination: Income and Sales Tax Processing and Imaging System

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CATEGORY: Digital_Government_G_to_B

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State of Arkansas
Income and Sales Tax Processing and Imaging System
Executive Summary

Ask any taxpayer and they will likely tell you the best eGovernment applications are those that help them get money owed to them faster, or make their dealings with government faster and easier. This is one of those type projects. In fact, the first year the system was in operation, it was so successful in helping speed tax refunds to taxpayers that it temporarily created the need for a lot of explaining. Tax refunds were going out so fast it was having a temporary negative impact on the state revenue forecast. Of course, since more refunds went out early in the year, fewer went out later in the year, so before the fiscal year was over it had all balanced out.

Arkansas' Income and Sales Tax Processing and Imaging System saves tax dollars through more efficient handling of taxpayer inquiries and corrections, plus the system helps taxpayers get their refunds much quicker. Processing time has been reduced from 6 to 8 weeks to only 2 to 4 weeks.

For this project, the State of Arkansas formed a unique "partnership" with ImageEntry, a London, Kentucky based imaging and data conversion vendor. This "partnership" is providing new jobs for Arkansas workers, and guarantee state of the art processing, file storage and retrieval for tax returns. Discussions with ImageEntry indicated that they could offer a full range processing applications. They were also willing to locate a plant in Arkansas. This plant would be located in an economically disadvantaged area and the plant would be responsible for at least 50% of the processing.

The Income and Sales Tax returns are now imaged and stored electronically using CD/DVD discs, instead of paper. This makes the information from the returns instantly available. Using this new process enables the taxpayer assistance personnel in Individual Income and Sales Tax, to resolve taxpayer problems in minutes instead of days. The new system also allowed development of a paperless error correction system. As part of the new process, ImageEntry supplied DFA with imaging and indexing equipment that allows DFA personnel to update information in a taxpayer's file by adding correspondence, or amended returns filed after the original return. At full capacity, the system can hold six (6) years of tax returns.

This program is funded through reduction in our extra help and overtime budget, by eliminating approximately 39 full time positions, (this is being achieved through retirement, attrition and re-assignment of personnel) by eliminating the cost of renting off-site files storage space, and eliminating contract help for forms destruction.

The big return on investment here is the elimination of 39 full-time positions, reduction in need for part-time personnel, and a reduction in overtime expenses. Additionally, the system saves tax dollars through more efficient handling of taxpayer inquiries and corrections, plus the system helps taxpayers get their refunds much quicker. Processing time has been reduced from 6 to 8 weeks to only 2 to 4 weeks.

Description of project, including length of time in operation:

The State of Arkansas formed a unique “partnership” with ImageEntry, a London, Kentucky based imaging and data conversion vendor. This “partnership” is providing new jobs for Arkansas workers, and guarantee state of the art processing, file storage and retrieval for tax returns. We first became aware of ImageEntry in July of 1999. In the fall of 1999, when our new data entry supplier began to default on the contract to supply data entry equipment, we sent out a purchase order for data entry services to ensure adequate processing capacity for the 2000 tax return processing season. ImageEntry was the bidder selected for this process and in February of 2000, they began keying state income and sales tax returns. Discussions with ImageEntry indicated that they could offer a full range processing application. They were also willing to locate a plant in Arkansas. This plant would be located in an economically disadvantaged area and the plant would be responsible for at least 50% of the processing. The Invitation for Bid was prepared for full range processing, including imaging and indexing, and the response was received in August of 2000. The file servers, jukeboxes, DVD burners, back-up scanners and indexing software were delivered in November of 2000. Training was conducted during December of 2000 and the system went live in February of 2001. The program was initiated in February of 2001 for processing 2000 Individual Income Tax and Sales and Use Tax returns.

Significance to the improvement of the operation of government:

This project successfully addressed all issues and needs and all tax returns were properly and efficiently processed. The solution implemented would serve our state well for quite some time.

Multiple issues prompted our search for a solution to our tax return processing needs:

- First, during the 1999-processing season, we began experiencing difficulty attracting and retaining both full time and temporary processing staff.
- Second, we also had a vendor default on installation of a new in-house data entry system.

This severely compromised our ability to process tax returns. We recognized that the same personnel issues were probably a long-term issue. Therefore, we took action to ensure that we had a long-term solution.

Benefits realized by service recipients, taxpayers, agency or state:

The Income and Sales Tax returns are now imaged and stored electronically using CD/DVD discs, instead of paper. This makes the information from the returns instantly available. Using this new process enables the taxpayer assistance personnel in Individual Income and Sales Tax, to resolve taxpayer problems in minutes instead of days. The new system also allowed development of a paperless error correction system. As part of the new process, ImageEntry supplied DFA with imaging and indexing equipment that allows DFA personnel to update information in a taxpayer’s file by adding correspondence, or amended returns filed after the original return. At full capacity, the system can hold six (6) years of tax returns.

Return on investment, short-term/long-term payback (include summary calculations):

The largest initial hurdle was the purchase of the operating system and hardware. The indexing software cost was \$425,000 for the two separate tax systems. Hardware cost was \$199,465 for two Compaq file servers, two Plasmon Jukeboxes, two Pioneer DVD writers, and two Kodak 1500 Scanners. The system was integrated into our existing LAN and access was provided via the LAN. Existing DFA Information Systems staff and Income Tax Administration processing staff support the system.

The first year cost was about \$2.1 million. Second year cost was about \$1.9 million. Using this system, you only pay for the actual number of documents processed. As our percent of e-file returns increase, our processing costs decrease.

This program is funded through reduction in our extra help and overtime budget, by eliminating approximately 39 full time positions, (this is being achieved through retirement, attrition and re-assignment of personnel) by eliminating the cost of renting off-site files storage space, and eliminating contract help for forms destruction.

The big return on investment here is the elimination of 39 full-time positions, reduction in need for part-time personnel, and a reduction in overtime expenses. Additionally, the system saves tax dollars through more efficient handling of taxpayer inquiries and corrections, plus the system helps taxpayers get their refunds much quicker. Processing time has been reduced from 6 to 8 weeks to only 2 to 4 weeks.