

2003 NASCIO Recognition Awards

NOMINATION FORM

Title of Nomination: SUNTAX – System for Unified Taxation

Project/System Manager: Jim Evers

Job Title: Program Director, General Tax Administration Program

Agency: Florida Department of Revenue

Department: General Tax Administration Program

Address: 5050 West Tennessee Street, Building D-1

City: Tallahassee

State: Florida

Zip: 32399-0100

Phone: 850-488-5163

Fax: 850-922-8426

Email: Eversj@dor.state.fl.us

Category for judging: 6 - Enterprise Information Architecture

**Person nominating
(if different than above):** Jennifer Faul

Job Title: Awards Coordinator

Address: 4030 Esplanade Way

City: Tallahassee

State: Florida

Zip: 32399

Phone: 850-410-0853

Fax: 850-922-5162

Email: jennifer.faul@myflorida.com

ONE-PAGE EXECUTIVE SUMMARY

The primary function of the Florida Department of Revenue's (DOR) General Tax Administration Program is to collect public revenues (taxes and fees) in accordance with state, local, and federal laws. DOR processes over nine million financial transactions annually from approximately two million taxpayers, resulting in collections of \$23 billion each year through 36 taxes and fees.

SUNTAX (Systems for UNified TAXation) is the country's first state-of-the-art, truly integrated revenue administration system, running off a Commercial-Off-The-Shelf (COTS) package, which was customized and implemented to allow one-stop registration, cutting-edge accounting for all taxes, and maximization of World Wide Web and e-filing technology and services. This system facilitates increased state revenue collections, lower administrative costs, a more uniform tax collection process, increased voluntary compliance, exceptional customer service, and flexibility to adapt to ever-changing legislation, court decisions and regulations.

SUNTAX represents a tax administration with a greater degree of integration and advanced technology than any other national, state or local government that we know of. With the development of SUNTAX, the DOR has embraced the latest technology to reengineer business processes and reinvent the culture of public service. SUNTAX has revolutionized the collection, processing and distribution of state revenues.

The SUNTAX system replaced previous systems that were built as silos specific either to tax processing (e.g., sales and use tax, corporate income tax, motor fuels tax) or to a particular function (EFT, refunds, warrants). The result was a complex web of tax administration technology that splintered a taxpayer's relationship with the DOR into as many as 10 different computer systems to administer and collect the 36 separate taxes and fees. This development of separate systems to meet specific needs resulted in the duplication of both data and processing activities in many places throughout the Department. Taxpayers had to provide the same information several times to register for all the taxes to which they were subject, or to update information, and may have had to deal with as many as eight DOR employees in different areas of the Department to resolve routine tax issues. With the implementation of SUNTAX, this is no longer the case.

Among the many noteworthy features of SUNTAX are:

- Innovation – As the first system of its kind in the United States, and one of only a handful of similar programs in the world, SUNTAX is absolutely cutting edge.
- Creativity – This initiative combines best practices in the areas of business-process reengineering, performance measurement and management, customer-focused operations, and technology into a single, fully integrated tax administration system.
- Effectiveness – SUNTAX has already generated more than \$70 million in revenue for local and state government in Florida. It has also saved millions of dollars in administrative costs.
- Applicability – Every state in the union could benefit from an effectively integrated and managed tax administration system like SUNTAX.
- Transferability – Virtually all of the components of SUNTAX, from the off-the-shelf, commercially available software to the tried and tested operational procedures, can be readily replicated by other states.
- Significance – Given the slowing economy, shrinking state revenues, and mounting budget deficits, nothing is more crucial to the continued viability of state government than a means of significantly increasing revenues without raising taxes. SUNTAX was designed to do just that.

SUNTAX has given Florida a world-class tax administration system, and we look forward to sharing this important innovation with our colleagues in other states.

Written Justification

a) Description of project including length of time in operation.

In 1992, the Department of Revenue began developing a vision of a fully integrated processing system for the administration of all of Florida's taxes. According to this vision, a taxpayer should be able to resolve questions pertaining to all DOR-administered taxes through a single point of contact. SUNTAX is being realized through a multi-year plan to evaluate current systems and redesign them into an integrated tax environment where one information system provides access to all relevant taxpayer information.

The Department initially planned to do all of the development in-house. However, the next few years saw rapid advances in technological capabilities and dramatic changes in the way information systems are designed. An evaluation conducted in 1998 made it clear that the DOR did not have the resources to develop the expertise to produce a system that takes full advantage of on-going advances. At the same time, private sector information technology consulting firms were responding to these changes quickly and developing expertise in building major systems for managing and integrating complex financial and reporting activities. A bid for the ongoing development of SUNTAX was opened and a contract was awarded in December 1999.

The initial conversion involved combining the registration databases for 11 of our miscellaneous taxes and corporate income tax. In April 2001, the following functions became operational: audits, EFT payment, returns and payments, warrants, bill payments, refunds, returned items, and bankruptcy items. These functions were previously managed through seven separate computer systems. In October 2001, the system was enhanced by adding communication services tax that included gross receipts, sales and local municipal taxes. Sales tax, solid waste taxes and "lemon law" fees were added in February 2003. The system now administers over \$21 billion in tax receipts and processes over 6 million financial transactions.

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

SUNTAX was designed to provide the state's businesses, policy makers and DOR with the world's most efficient and effective tax administration system. SUNTAX was designed to accomplish several, sometimes competing, goals. These include:

- Increase state revenues without raising taxes
- Significantly enhance customer service
- Provide both one-stop registration and collections for all taxes
- Allow businesses to register and file over the Web
- Reduce Department costs and boost operational efficiency
- Usher in dramatic organizational change by transforming a traditional public-sector agency into a competitive, world-class organization

SUNTAX has been an unqualified success in each of these areas. It has enabled the Department each year to collect more than \$21 billion in revenue, serve more than 1.2 million taxpayers, and process more than 6 million transactions. SUNTAX has also generated over \$70 million in collections in its first years primarily by identifying noncompliance in the telecommunications industry. The Department also reduced the number of employees needed to administer taxes at all levels of government due to efficiencies offered by electronic filing and centralized collection.

Before the advent of SUNTAX, the DOR used as many as 10 different computer systems to administer and collect 36 separate taxes. This antiquated, fragmented structure for collecting revenue was not and is

2003 NASCIO Recognition Awards

not unique to Florida. For more than 40 years, virtually every revenue department in the country has operated under a similar system. Although many changes in management techniques and information technology have taken place in recent years, the methodology of managing taxpayer interactions in most states has remained essentially the same for decades.

Comparison of Previous System and SUNTAX

Previous System	SUNTAX
Taxpayers had different identification numbers for each tax for which they were registered.	The Department maintains information and files in one integrated database that uses a single identification number for each taxpayer – regardless of how many taxes a taxpayer may be obligated to pay.
Taxpayers had to register for tax obligations in person at a local Service Center or using paper forms mailed to Tallahassee.	Taxpayers may register and file using the Web.
DOR staff assigned to different tax systems had to work with taxpayers separately for each tax they owed.	All information for a particular taxpayer is linked and accessible. This allows for one-stop service for all taxpayers.
Overpayments and underpayments for the same taxpayer, for different taxes, could not be reconciled across tax systems.	SUNTAX allows the Department to identify the total amount of liabilities, or credits, across all taxes for any taxpayer.
Fragmented tax systems were not conducive to maximum revenue collection.	The unified tax system maximizes revenue collections by facilitating accurate, complete and timely filings.
Traditional systems do not support the management of enforcement efforts, such as audits in a cost effective manner.	Providing one common database for all contacts with a taxpayer will ensure that delinquencies, outstanding debts and audits will be more readily identified and acted upon in priority order and based on risk.

Working with a fragmented and non-integrated traditional system made it difficult to:

- Identify all the taxes for which a taxpayer was responsible
- Register for tax obligations on the Web
- Coordinate communication with taxpayers about multiple obligations
- Manage transactions with taxpayers efficiently
- Estimate taxes due if no return was filed, or if all returns were not filed
- Reconcile balances for multiple tax liabilities
- Respond quickly to legislative changes
- Efficiently administer tax law fairly and uniformly
- Adapt to rapidly evolving technological and economic conditions

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

Florida is the only government entity in the United States, and one of only a few public agencies in the world with a fully integrated tax administration system running on a COTS package rather than extensive custom-built solutions that become obsolete over time. This package provides upgrades that enable the Department to stay current with ever-changing standards, security and web protocol. Because revenue collection core activities are virtually the same across the country, every state can benefit from the Department's new approach to an age-old process. SUNTAX provides a benchmark for other government entities to understand, review and adopt.

2003 NASCIO Recognition Awards

SUNTAX is more than a reengineered process, a cutting-edge database, and a new information-management philosophy. It is the culmination of a number of best practices from the public and private sectors, as well as an innovative integration of advanced corporate information-management resources and a visionary approach to providing public services. The result is a truly unique, innovative, and successful model for reinventing government.

SUNTAX innovations benefit Florida's business owners, taxpayers, state policy makers, and Department administrative practices in the following ways:

World-Class Customer Service. In addition to maintaining all critical taxpayer data (e.g., business and owner names, mailing and business location addresses, ID numbers, and multiple business relationships) SUNTAX also captures taxpayer/DOR contact information, taxpayer service needs and preferences. Having such comprehensive and timely information online allows DOR staff to better assist taxpayers with any inquiries. DOR staff can readily review payment, billing, special taxpayer requests, and previous contact summaries online and quickly respond to any taxpayer requests or inquiries.

One-Stop Registration. DOR is now able to register businesses for all Department-administered obligations using a single integrated registration system. When a new taxpayer goes either to a service center or to the web to register for one tax, DOR is able to notify the taxpayer of all taxes for which the business may be liable – corporate income, sales, intangibles, communications services, etc. From the point of registration for tax obligations and the opening of a new business, the business owner understands and complies with all tax obligations.

E-Business Systems. Approximately 80 percent of all DOR-administered revenues come in through electronic means including web-based filing and software packages. This increases revenue collections and reduces administrative costs for both the state and taxpayer.

E-Payment Options. Taxpayers can pay taxes using credit cards, e-cash, or through automated debit systems.

Service to Other Public Agencies. The cost efficiencies of SUNTAX benefit Florida's budget (and all Florida taxpayers) in the form of reduced processing costs for DOR and seven other state agencies that contract with DOR for remittance-processing services. The Department currently processes 1 million transactions per year for other state agencies involving \$3 billion, including more than \$1 billion annually for the Florida Retirement System.

Revenue Accounting, Case Management, Collection and Distribution. SUNTAX provides an integrated system for efficient capture of all taxpayer information. The SAP program provides a modern accounting framework with high data-integrity standards and a fully integrated general ledger.

- **Case Management** - SUNTAX allows DOR staff to effectively manage collections, audits, hearings and appeals, and all correspondence. For the first time in one system, DOR staff will be able to know that a taxpayer has been selected for an audit and the tax being audited. SUNTAX also facilitates identification of potential collection and enforcement strategies, based on historical underpayment, delinquency, and filing status information.
- **Single Identifier Capability** – SUNTAX's use of a single business identifier code enables the Department to streamline and simplify contacts between DOR and the taxpayer, thereby enhancing our ability to provide taxpayer education and better service.
- **Billing System** – SUNTAX provides a consolidated taxpayer billing system. Bills are created, reviewed, tracked, and printed from one system. DOR now can also apply payments, post and

2003 NASCIO Recognition Awards

track bad checks, process automatic write-offs, and produce a list of receivables that may be uncollectible. DOR staff can post transactions, adjust a taxpayer's account, process refunds, and inquire on taxpayer account information in real time.

- Increased Flexibility - SUNTAX streamlines any programming time required to adapt to legislative/regulatory changes. Unlike in the past when multiple legacy computer systems had to be re-programmed, program changes in SUNTAX are accomplished centrally and quickly.

Reduced Administrative Costs. An integrated system allows taxpayer information to be consolidated for more effective case management. This reduces the time spent collecting revenue and correcting errors. All information can be updated online in real time, eliminating the time spent completing, handling, keying and processing internal forms. Streamlining processes leads to increases in productivity. Fewer errors help to ensure higher quality service to taxpayers. The cost of printing and distributing forms is reduced.

Advanced Document Imaging. The Department operates an advanced document-imaging system that captures digitized images of tax returns, stores them, and makes them available after capture to any DOR employee nationwide. Intelligent Character Recognition systems provide unparalleled data accuracy, reduced workload and quicker refunds.

Strategic Management. The more timely, accurate and complete data provided by SUNTAX facilitates dynamic organizational decision-making and strategic planning.

d) Return on investment, short term/long term payback (include summary calculation). Projects must exhibit operational benefit.

Between 1999 and 2003, the start-up and implementation costs for this world-class tax administration system totaled approximately \$40 million. This includes project development and research, staffing, technology purchases, professional development/training and consulting.

One of the innovative features of SUNTAX is the public-private partnership of the Department of Revenue, Deloitte Consulting and SAP. This partnership leveraged and integrated the technical and operational expertise of the Department's innovative revenue collection and management resources, the global expertise and knowledge of Deloitte's consultants, and SAP's industry-leading information technology architecture that is used successfully by many Fortune 500 firms. This approach of "matching strengths with strengths" allowed the Department to develop and implement a truly revolutionary approach to tax administration much more quickly, efficiently and effectively than could have been achieved using only internal resources.

SUNTAX has already generated more than \$70 million in revenue for local and state government in Florida. In combination with avoided costs, and with additional recurring revenues in the tens of millions of dollars each year thereafter, the return on investment for SUNTAX has been immediate, significant and sustainable.

SUNTAX was designed and developed by leveraging a core group of 30-40 revenue and IT experts from the Department's staff of 5,500. This change-management team worked with the project's two other partners to reengineer current processes, modify SAP's commercially available Enterprise Resource Package software, and integrate the agency's fragmented taxes into a comprehensive tax administration system. Also, because SUNTAX utilizes off-the-shelf software originally designed for the private sector, routine maintenance and upgrades are provided at minimal cost to the Department. Most revenue agency mainframe systems require extensive and expensive maintenance by agency information technology staff. In short, by capitalizing on many features contained in the base product, the Department saved

2003 NASCIO Recognition Awards

development costs by configuring an existing software package in lieu of customized programming. By comparison, other states attempting similar, less ambitious tax integration initiatives have paid a much higher price for custom-built systems that will require costly and complex replacement as technology changes.

The annual maintenance and operational cost of the SUNTAX program is less than \$3 million. However, as SUNTAX encompasses the entire operation of the Department's General Tax Administration program, its impact on cost savings resulting from increased productivity and operational efficiencies is notable. Some examples of cost savings include:

- DOR is now administering unemployment compensation tax with 167 fewer employees than previously required, a reduction of 36 percent. This represents a savings of roughly \$2.8 million.
- The Department now administers the state's communications services tax with 119 fewer employees than previously required at all levels of state and local government. This represents an estimated \$3.6 million savings.
- As a result of additional business-process improvements directly related to SUNTAX, the Department has cut 173 FTEs as of 2003, with another 100 estimated reductions scheduled to take place by the end of 2004 (all FTE reductions were/will be achieved via attrition with no layoffs).

The Department has implemented SUNTAX on time, within budget, and at costs that compare favorably to other, smaller tax-integration initiatives undertaken by other states. In only its first two full years of operation, SUNTAX generated more in additional state revenue and cost savings than it cost to implement, while significantly improving customer service, taxpayer education and outreach, and voluntary tax compliance.

Brief Narrative of Hardware and Software

SUNTAX uses the SAP R3 ERP package with the industry solution for Public Sector Accounting (IS-PS-CA). The current SAP version that is being used by SUNTAX is SAPR3 4.6C. The hardware that is used for the SAP R3 production environment is COMPAQ GS160 server with TRUE 64 operating system and storage distributed in a SAN environment. The client-server architecture of SAP R3 allows users to connect to the SAP system via five different application servers giving the system a higher level of scalability. The SAP application uses Oracle 8.1.7 as its database.

The SAP R3 production environment used for SUNTAX consists of Sandbox, Pre-development, Development, Quality Assurance, Training and Pre-Production servers. This environment allows all the customization and development to be tested and integrated before moving into the Production system. SAP uses the transport mechanism to achieve version control as well as to minimize the impact of having all new developments or enhancements affect the Production system.

The infrastructure is built around the SAP R3 servers with the network supporting users connecting into the client server production system from various offices. Users can securely access the SUNTAX SAP system which has its own layer of security and authorization that can be set for access control over different transactions or data sets.