

Federation of Tax Administrators

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News Release

for immediate release

PENNSYLVANIA AND WASHINGTON STATE WIN FTA AWARD FOR COMPLIANCE

(Washington, D. C., March 8, 2004) The Federation of Tax Administrators announced today that the Washington Department of Revenue and the Pennsylvania Department of Revenue are co-winners of the 2004 FTA Award for Outstanding Compliance Program.

Presentation of the award will take place at the FTA Annual Meeting on June 7 in Providence, R.I. The winners have also been invited to make a presentation on the program during the annual meeting.

Judges noted that “both submissions wowed us” and called them “forward-thinking.”

The Washington Department of Revenue was recognized for its 3-D Compliance Initiative (Data-Driven Decisions), a process for gathering and analyzing data from standard compliance programs. The resulting measurement of effectiveness tells the agency what compliance approaches will accelerate collections and reduce delinquency rates.

The agency can see where it needs to target education and, as the submission explained, the initiative “gives us the solid data we need to increase our tax collection effectiveness and efficiency. ... Without better information, we are destined to do the same thing year after year without knowing if we are making a difference.”

Specific activities included developing a series of highly refined compliance studies, building a data warehouse (which enabled the agency to collect, clean, consolidate and organize data from various systems and data sources to provide intelligence for decision-making), and using the analyses to efficiently determine where to deploy resources.

The end goal of many of the activities was to change taxpayer behavior – to get the taxpayer to respond to a written communication, for instance.

In one example, the agency uncovered a large area of noncompliance within the professional services industry and sent letters to 59,000 targeted businesses explaining what tax should be reported. The agency then refined its mailing envelope and design of the letter until it was able to triple the response

to the mailings. The result: more than \$2.7 million in state and local use tax was collected in FY 2003 at an average cost of 1-cent-per-dollar-collected (staff resources excluded).

Of the Washington program, judges comments included: "So simple. What a terrific approach. Incredibly creative. And that they could use it successfully, profitably, even on small-dollar amounts, is important."

The Pennsylvania Department of Revenue was recognized for its Pass Through Business Office. The office was created in November 2002 and has assessed 5,401 taxpayers for more than \$14.2 million in taxes.

The office figured out a way to rework an awkward, manual workflow that allowed it to document the relationships between business entities and their owners. The agency then deployed a "middle-ware" to connect a web-based case tracking system with existing personal income and business tax imaging systems (which contain data from taxpayer returns). As a result, the agency is now able to match K-1s (information returns issued to personal taxpayers) with the returns on which the taxes are, or should be, reported. The agency found the K-1 case tracking system worked so well it has been used within several other business functions.

Of the Pennsylvania program, judges' comments included: "Incredibly impressive. Pass-through compliance is a struggle for all the states and it's amazing that they could come up with a way to automate it that works quickly. Plus the speed of implementation, that they did it with limited resources – that required an extra level of innovation."

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The entries were judged by an independent panel consisting of Delena Bratton, with ACS Inc.; Patricia Weth, with the Arlington County, Virginia Office of the Treasurer; and Stephanie Cooper, with the State and Territorial Air Pollution Program Administrators and Association of Local Air Pollution Control Officials.

The Federation of Tax Administrators is a nonprofit organization comprised of the tax and revenue departments of the 50 states, the District of Columbia, and New York City. Its mission is to improve the standards and methods of tax administration.

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