



# Best Practices and Developments in State Tax Administration

2018 15<sup>th</sup> Annual NMTRI Tax Policy Conference

Terri Steenblock, Compliance Director

Federation of Tax Administrators (FTA)



# Best Practices in State Tax Administration – About FTA

- ▶ 1937 Federation of Tax Administrators (FTA) was organized to improve the quality of state tax administration
- ▶ FTA serves the principal revenue agencies of the 50 states, the District of Columbia, New York City and Philadelphia
- ▶ Our services include:
  - ▶ Research
  - ▶ Information exchange
  - ▶ Training and intergovernmental coordination

# Best Practices in State Tax Administration – About FTA

We also offer and participate in communication and collaboration opportunities:

- ▶ Holding eleven national conferences annually
- ▶ Providing a weekly TaxExPRESS newsletter
- ▶ Publishing bi-weekly State Tax Highlights
- ▶ Publishing a monthly By-the-Numbers report
- ▶ Hosting an E-list collaboration and information sharing system
- ▶ Coordinating relationships (IRS, FTC, etc.)
- ▶ Globally representing states on national teams
- ▶ Hosting webinars and conference calls

# Best Practices in State Tax Administration

Today I am going to share

- ▶ Legislative best practices that we relay to new Senior Leadership in State Tax Administrations
- ▶ Developments in identity theft and tax fraud

My hope today is that you will walk away with:

- ▶ Ideas for working together (state tax administrators and legislators)
- ▶ Understanding of fraud and the nightmare facing tax administrations

# Best Practices in State Tax Administration



# Best Practices in State Tax Administration

Lets talk about some best practices we relay to new Senior Leadership in State Tax Administrations

- ▶ To me, these best practices begin with three simple words:
  - ▶ Cash
  - ▶ Communication
  - ▶ Commitment

# Best Practices in State Tax Administration - Relationships

© Randy Glasbergen / glasbergen.com



**“I’m ordering a transfusion. We’ll replace your B-negative blood with B-positive and see if that improves your relationships**

# Best Practices in State Tax Administration - Relationships

Extraordinary leaders recognize building positive relationships is an investment with a large ROI. They:

- ▶ Are teachers
  - ▶ Share your knowledge
  
- ▶ Collaborate
  - ▶ Bring others along on the journey
  
- ▶ Break the mold
  - ▶ Find solutions that work



# Best Practices in State Tax Administration – Plain Language

## Before

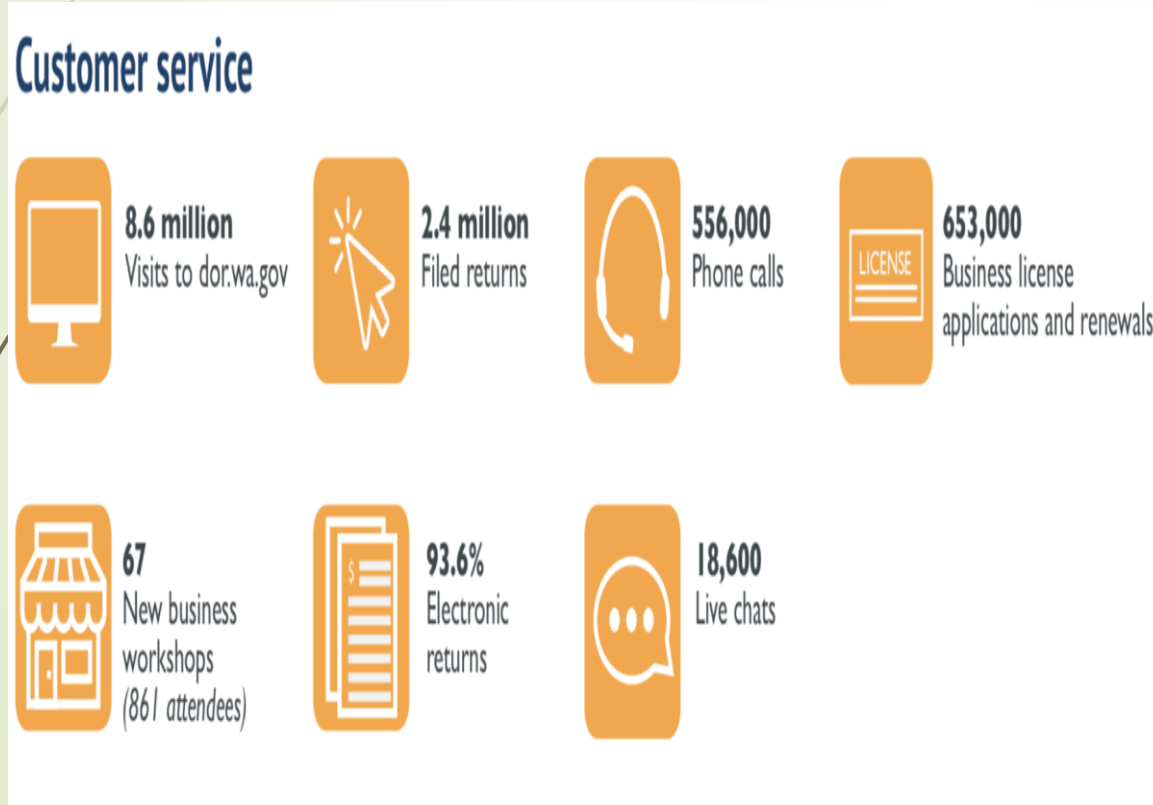
The XXX Department of Revenue has received your transaction Privilege Tax (TPT) license/Withholding registration application form and found that insufficient information has been provided to allow us to process your request.

## After

We cannot process your license application because required information is missing.

# Best Practices in State Tax Administration - Relationships

## Providing education



## Sharing knowledge



# Best Practices in State Tax Administration - Communication










# Best Practices in State Tax Administration - Communication

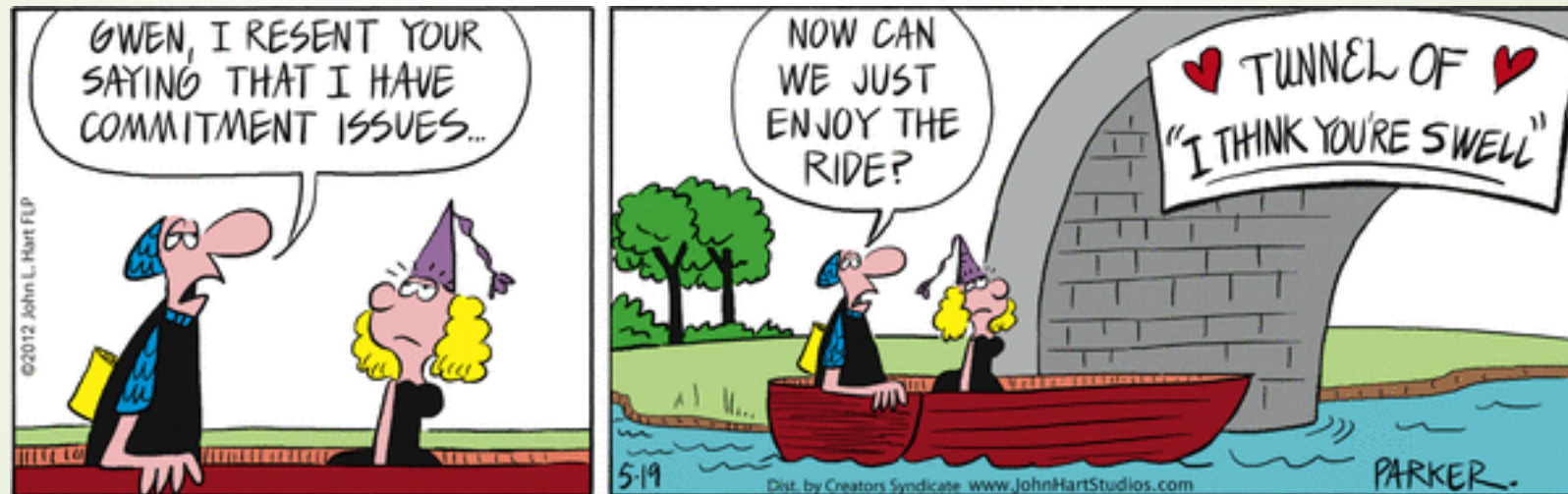
What are some ways to effectively communicate with members of the legislature?

- ▶ Be transparent
  - ▶ Share how you are doing and what administering the tax laws looks like
- ▶ Be a resource
  - ▶ Don't wait for them to ask
- ▶ Be accountable
  - ▶ Celebrate accomplishments and acknowledge mistakes

# Best Practices in State Tax Administration - Communication

Internal Business Process								
TPB-9	Timely Processing of Individual Income Tax filing exceptions.	Green		39000	47583	26101	Monthly	All current year Individual Income Tax filings, successfully captured into the IIT computer system and "flagged" as exceptions are reviewed and processed in the calendar year received. Target will fluctuate monthly depending on volume of returns received and complexity of returns.
TPB-10	Percent of returns processed compared to production plan	Green		100.0%	102.5%	101.7%	Monthly	All individual Income Tax returns are processed in the same year they are filed.
TPB-14	Forced SUW disconnects as % of the total calls received	Green		5.00%	0.40%	0.60%	Monthly	target of 5% or less disconnects in relation to total SUW calls received
TPB-15	All IIT correspondence processed in a timely fashion	Green	=	100.0%	100.0%	100.0%	Monthly	All Individual Income Tax correspondence processed within 60 days of receipt.
TPB-18	All Michigan Business Tax (MBT) and Corporate Income Tax (CIT) correspondence processed in a timely fashion	Green		90.0%	89.0%	78.0%	Monthly	All MBT/CIT correspondence processed within 60 days of receipt
TPB-20	All Sales, Use, and Withholding (SUW) correspondence processed in a timely fashion	Green		90.0%	90.0%	88.0%	Monthly	All SUW correspondence processed within 60 days of receipt
COLL-5	Percent of accounts which had appropriate action taken within the last 30 days	Yellow		100%	80%	85%	Quarterly	Provide quality information and customer service during field visits to ensure timely collection and resolution of tax debts.
COLL-6	Percent of calls resolved on first contact	Yellow		100%	83%	78%	Quarterly	Provide first time call resolution for debtors contact third party collection agent.

# Best Practices in State Tax Administration - Commitment



A red arrow graphic pointing to the right is positioned at the top left of the slide.

# Best Practices in State Tax Administration - Commitment

Commitment...

- ▶ It's a long haul
- ▶ We are in this together

# Significant Development in Tax Administration - Fraud



**"Bad news - something that happened in Vegas  
has been spotted in Des Moines."**



# Significant Development in Tax Administration – Identity Theft

## Identity Theft Tax Refund Fraud:

- ▶ In 2015, a national fraud initiative was born with the implementation of a fraud summit
- ▶ Identity theft tax refund fraud is a billion dollar industry
- ▶ Every time an identity is stolen, tax administrators have to stop and think about how it may be used in the tax arena

# Significant Development in Tax Administration – Identity Theft

Fraud Summit Team:

- ▶ There are several teams under the fraud summit dedicated to identifying and preventing this fraud:
  - ▶ Authentication
  - ▶ Communication
  - ▶ Information Sharing
  - ▶ Financial Services
  - ▶ Strategic threat assessment and response
  - ▶ Information Sharing and Analysis Center (ISAC)

# Significant Development in Tax Administration – Identity Theft

Every year the fraud migrates and tax administrators have to be “on their game”

- ▶ Filing returns
- ▶ Phishing to get a more realistic return
- ▶ Scamming (phone, erroneous refunds)
- ▶ Breaching (companies and preparers)
- ▶ Business identity theft

# Significant Development in Tax Administration – Identity Theft


The not so obvious consequences of identity theft

- ▶ Causes refund delays
- ▶ Economic impacts
- ▶ Reputational impacts

# Significant Development in Tax Administration – Good Old Fashioned Fraud

In addition to identity theft, there's good old fashioned fraud tax administrators have to worry about:

- ▶ The preparer who promises the largest refunds
- ▶ The business who "zaps a sale"



Thank you for your time today

**Questions?**

**[Terri.Steenblock@taxadmin.org](mailto:Terri.Steenblock@taxadmin.org)**