



Department of
Taxation and Finance

Tax Administration Guide for Systemic Change – 30 Years of Experience

Nonie Manion

Retired: Executive Deputy Commissioner/Acting Commissioner New York State

Current: Tax Business Specialist – FAST Enterprises

FAST

A Generation of Change

	Late 1980s	Evolved and evolving
Leadership	Dictatorial and rarely seen	Collaborative and visible
Organization	Silo – defined role and staff to perform just that role	Home organization – task and effort defined by need
Staff	Limited role, difficult to change titles and work	Broad titles, cross-trained that does variety of work
Culture	Command and control	Collaborative and open
Internal communication	Mailed paper memos, telephone, buckslips	Collaborative documents, e-mail, video, teleconferencing
Technology	Dumb terminals, limited standalone PCs	Integrated systems with remote access
Loss prevention	Revenue not collected	Revenue and refund fraud

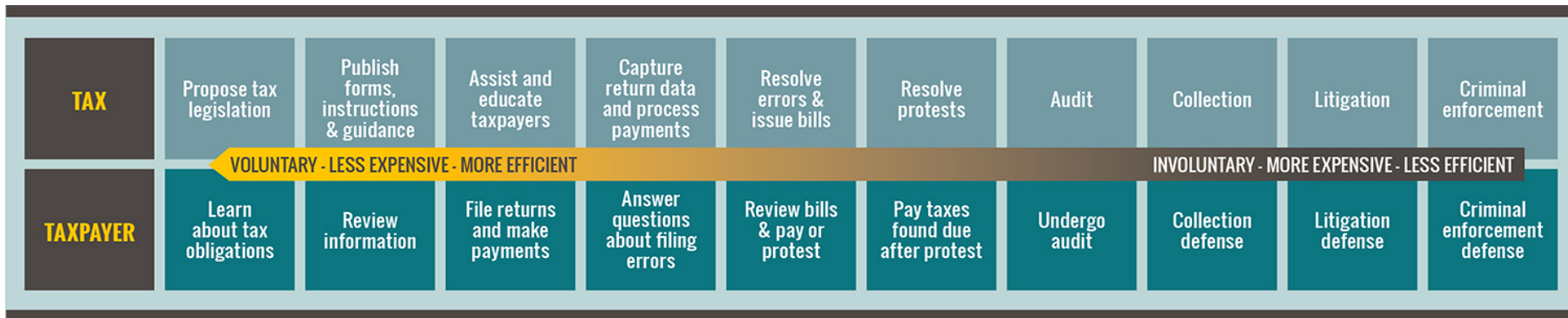
Customer Differences

	Late 1980s	Evolved and evolving
Referenced as	Taxpayers	Customers
Customer expectation	Limited, willing to wait	Real time resolution, online information
Tax Returns	Handwritten paper forms, checks and US Mail	Electronic file, pay and online verification
Correspondence	Handwritten, some call center inquiries	Online services and integrated call center
Communication	Paper forms, instructions, notices of tax due	Information available online real-time, expanding e-services
Technology	Limited to some businesses	Increased availability for all

Change happens

- Systemic change to the organization and culture
 - Town Halls
 - Strong mission and clear vision
 - Challenges and approach
 - Answer questions – honesty matters!
 - Repeat, repeat, repeat and repeat
- Prevent and React – it matters how it is done
 - Frameworks for making decisions
 - Recognize the benefits of your investment
 - Framework for addressing systemic issues
 - Leverage issues and celebrate success

The Compliance Continuum



Our Mission:

To efficiently collect tax revenues in support of State services and programs while acting with integrity and fairness in the administration of the tax laws of New York State.

Tax Administration - Four Pillars



Efficiency • Integrity • Fairness



Department of
Taxation and Finance

Systemic Change - Culture & Talent

- Executive Team must be aligned and on-board
- Select the Talent – promotions & new hires
 - Recruitment and interviewing - train the interviewers
 - Select the talent that will contribute and thrive in your desired state
- Teach and develop the talent – 30 year careers
 - Train for multiple functions, assign where needed
 - Provide opportunities for growth – projects, trainers etc.
 - Diverse knowledge & experience creates future leaders

Framework: Making the Tough Decisions

- Doing the Right Thing Class & Tools
- Decision Dilemmas - LEO
 - L - Legal – MUST follow the law, or work to get it changed
 - E - Ethical – what do your ethics laws require
 - Post-employment bar, gifts, conflict of interest
 - O - Optics – how will this look on the front page of the paper
- Group Think
 - Invulnerable, moral, unanimity, rationalizing, stereotyping
 - often lead to faulty decisions



Framework: Making the Tough Decisions

- Doing the Right Thing Class & Tools continued
- Right versus right
 - Short-term vs. Long-term, Justice vs. Mercy, Individual vs. Community,
 - End-based, rule-based, care-based
- Fair – everyone the same, or based on facts and circumstances at the time?
- **Efficiency • Integrity • Fairness**



TAX	Propose tax legislation	Publish forms, instructions & guidance	Assist and educate taxpayers	Capture return data and process payments	Resolve errors & issue bills	Resolve protests	Audit	Collection	Litigation	Criminal enforcement
	VOLUNTARY - LESS EXPENSIVE - MORE EFFICIENT						INVOLUNTARY - MORE EXPENSIVE - LESS EFFICIENT			
TAXPAYER	Learn about tax obligations	Review information	File returns and make payments	Answer questions about filing errors	Review bills & pay or protest	Pay taxes found due after protest	Undergo audit	Collection defense	Litigation defense	Criminal enforcement defense

Framework: Options Document

- Tool for making decisions:
 - Common understanding
 - Business objectives
 - Reference the continuum
 - Opportunity for dissenters to be heard
 - Documentation
 - Data to support information
- Columns:
 - Identify the option
 - Pros
 - Cons
 - Business objectives
 - Same for each option
 - Yes, no or maybe
 - Issues/Concerns
 - Summary of option

Framework: Options Document

Option	Pros	Cons	Business Objectives Satisfied	Issues/Concerns	Summary of Option - sample info
A Identify first option	<ul style="list-style-type: none"> List Pros surrounding this option 	<ul style="list-style-type: none"> List Cons surrounding this option 	<ul style="list-style-type: none"> ✓ List all Objectives for solving the issue ✓ Each Option should reflect the same objectives ✓ Show whether met, partially met or not met based on the legend above. 	1. Note major issues/concerns raised based on the Option, can be different per option	Brief recap if option is detailed Investment summary in terms of dollars, staff and/or duration Comparison of investment against other options
B Identify second option, if it builds off another option, mention it – e.g. Option B gives everything in Option A plus.....	<ul style="list-style-type: none"> List Pros surrounding this option 	<ul style="list-style-type: none"> List Cons surrounding this option 	<ul style="list-style-type: none"> ✓ List all Objectives for solving the issue ? Each Option should reflect the same objectives and ✓ Show whether met, partially met or not met based on the legend above. 	1. Note major issues/concerns raised based on the Option, can be different per option	<ul style="list-style-type: none">
C List out next option Continue with as many options as necessary by adding more rows....	<ul style="list-style-type: none"> List Pros surrounding this option 	<ul style="list-style-type: none"> List Cons surrounding this option 	<ul style="list-style-type: none"> ✓ List all Objectives for Solving the Issue ✗ Each Option should reflect the same objectives, and ? Show whether met, partially met or not met based on the legend above. 	1. Note major issues/concerns raised based on the Option, can be different per option	<ul style="list-style-type: none">

Data Analytics/Data for Decisions

- Data Analytics, Business Intelligence, rules and scoring
- Using Data for Decision Making
 - Quality and understanding of data sources
 - Organizational readiness to use and rely on data
 - Action defines the level of certainty required
- Organizational Readiness
 - Leadership that invests in data capture and developing staff
 - Mid-level champions
 - Data capture and storage
 - Use, and understand the data
 - Confidence in the data & rules or analytics to take action

Invest: TASC Center of Excellence

- Business Objectives (aligned with mission and vision)
 - Advanced data analytics and **predictive modeling** to increase voluntary compliance
 - Identify and stop problems – **before they occur**
 - Reduce the burden on **compliant taxpayers**
 - **Resource** for business units without analytics expertise and executives

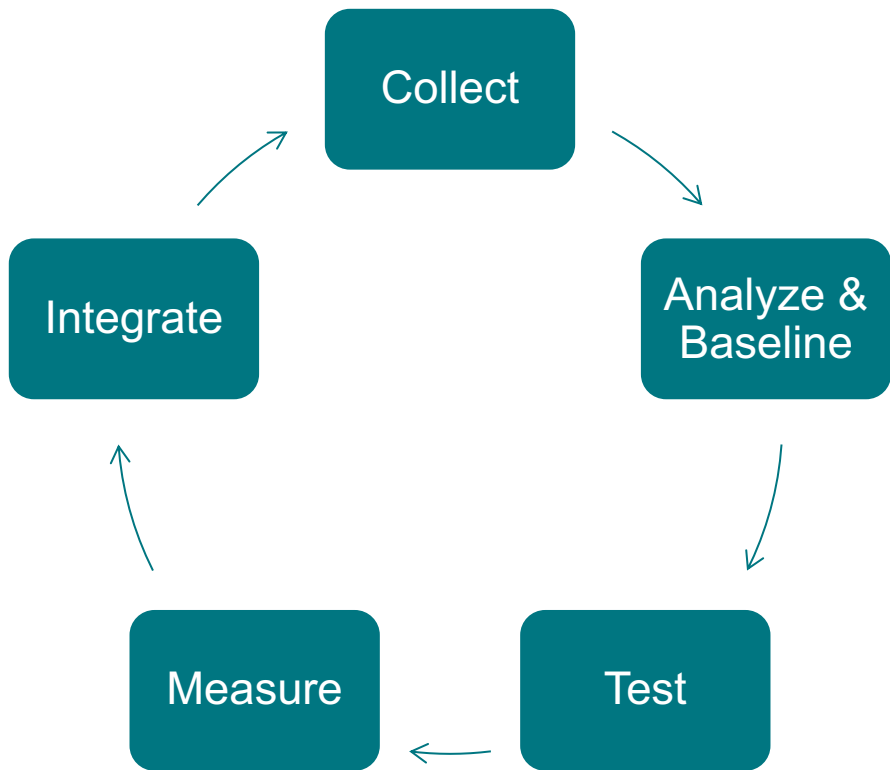
Invest: Center of Excellence Staffing



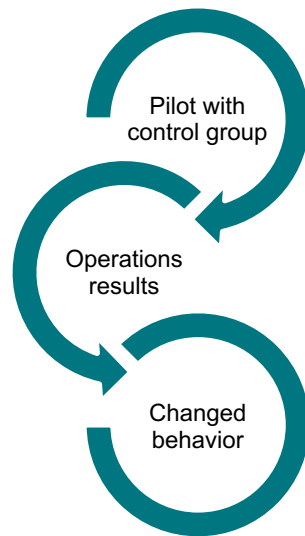
Rotation or assigned in their title

- Audit Director level to lead
- Processing Assistant Director level
- Business experts with skills
- Newer employees with aptitude

Integrating Data Analytics



Continuous Test & Measure



Estimated Payments – Staff Savings

- Analysis of work queues requiring staff attention during processing stream
- Taxpayers not reporting estimated payments correctly resulting in exception work
 - First year pilot – tested small group
 - Second year production – larger group
 - Third year – refined online service notification or PIN letters to encourage use of online services

	Year One	Year Two
Taxpayers with prior year estimated tax errors	1,712	43,588
Taxpayers corrected after outreach	69%	84%
Returns processed without delay	1,181	36,614
<i>Savings: <u>11</u> staff now available for other work</i>		

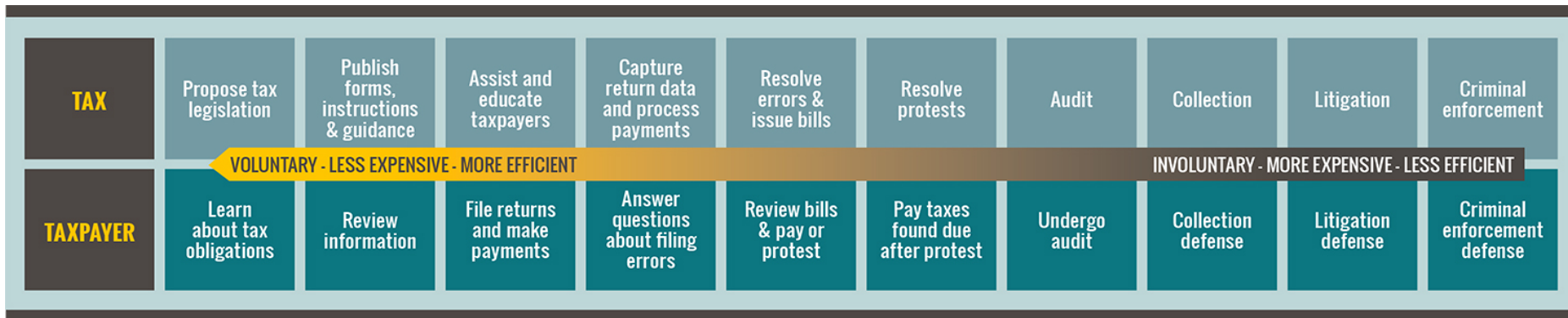
New Vendors – Improve Compliance

- Identify risk pool for not filing first return on-time
- “Helpful reminders about New York State Sales Tax” sent prior to first return due date
 - First return due June 20, 20XX
 - No Tax due? You must file even if no tax due
 - Use Web File
 - We’re here to help – providing online and call center resources

High risk new vendors	
Filed first return timely	58%
Improvement since reminder	15.5%
Penalty savings per quarter	\$34,000

Move toward the left - voluntary compliance – less expensive.

The Compliance Continuum



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New Vendors – Field Visits

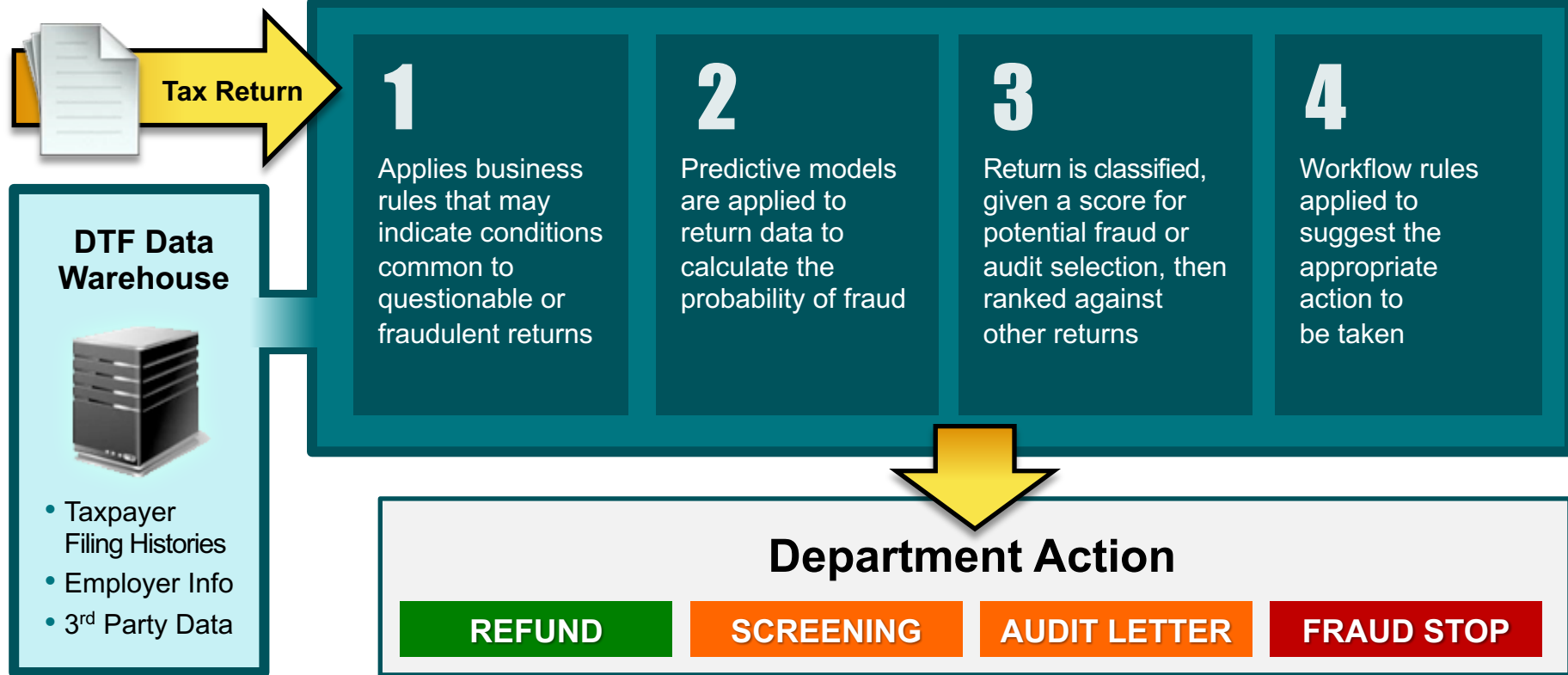
- Identify high risk vendors through data analysis
- Field visits for on-site education
- Low compliance in subsequent quarters
- Return on investment was negative leading to cancellation of on-site education

CANCELLED

High risk new vendors	
Agent visits for on-site education	467
Filed first return timely	83%
Subsequent compliance	low

High cost field agents, resulting in short-term compliance.

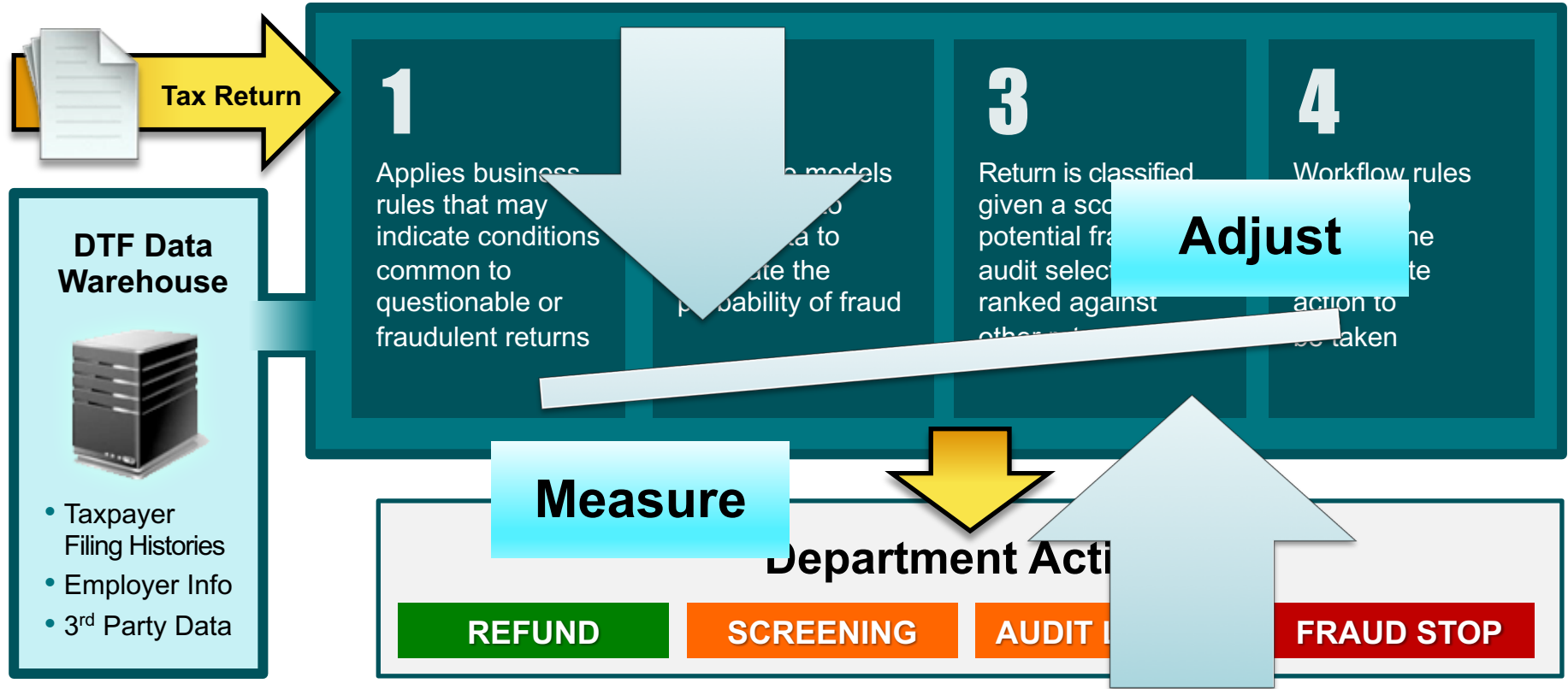
Continuous Test and Measure: Mature



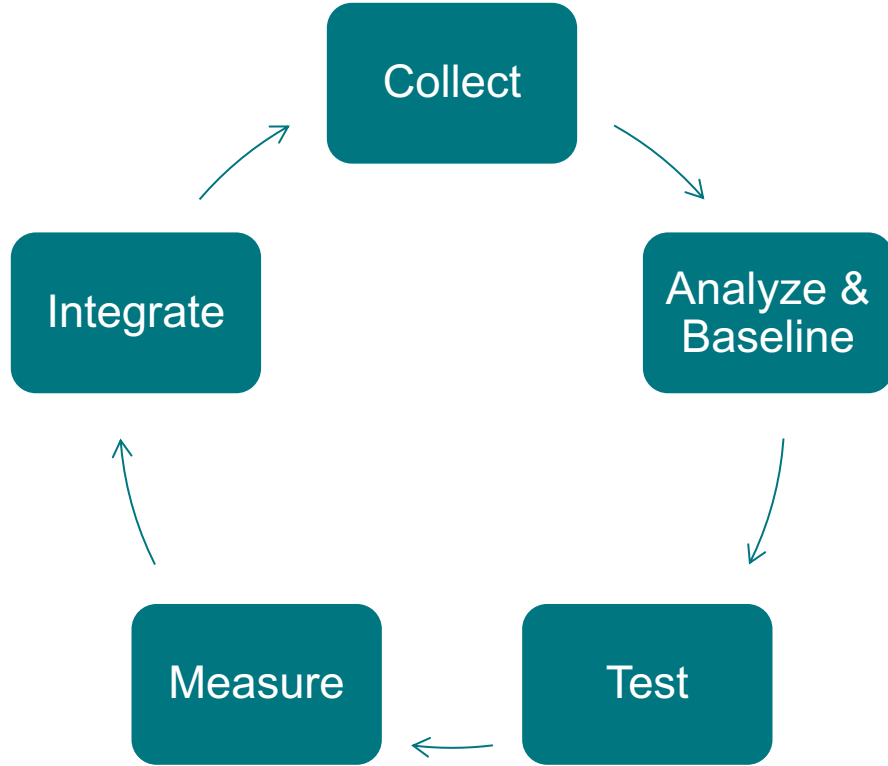
Results Tracking

Processing Year	2008	2009	2010	2011	2012	2013	2014	2015
Inquiry Letters	205,000	181,584	197,909	284,086	272,742	255,103	252,138	291,486
Audit Denied Refunds	\$236M	\$283M	\$301M	\$390M	\$372M	\$367M	\$331M	\$404M
OPS Denied Refunds	\$12M	\$17M	\$54M	\$51M	\$58M	\$46M	\$119M	\$96M
Total Refunds Denied	\$248M	\$300M	\$355M	\$431M	\$430M	\$413M	\$450M	\$500M

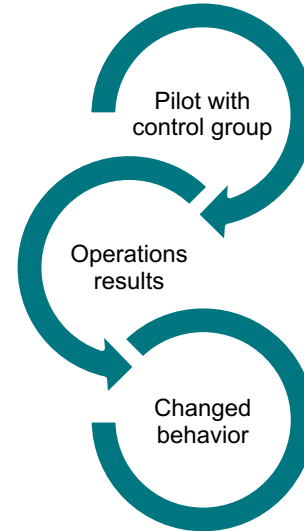
Measure and Adjust – retrain models, new rules



Integrating Data Analytics



Continuous Test & Measure

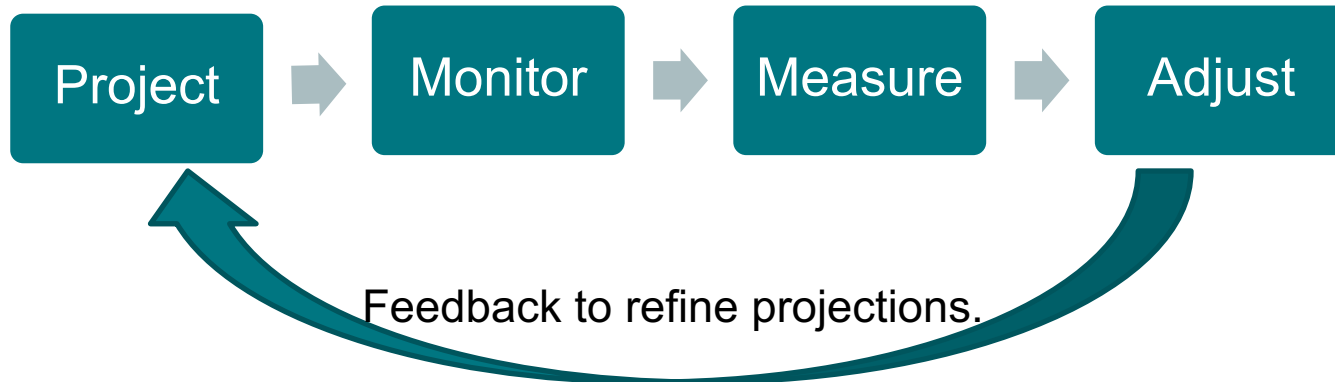


Data for Decision Making

- Implementing 2D Barcode Technology
 - Comparative cost modeling for 2D Barcode
 - Technological advances translated into cost and staffing savings
- Marketing Online Services
 - Using data to target marketing to grow on-line services
 - 70% individuals use tax preparers
 - Measurable outcomes and self-service

Managing work and resources

- Processing & Call Center – taxpayer driven
- Audit, Collections & Criminal– select cases



Organizational Readiness:

- ✓ Using Data for Decision Making
 - ✓ Quality and understanding of data sources
 - ✓ Organizational readiness to use and rely on data
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 - ✓ Leadership that invests in data capture and
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Accelerators

- Expedited insource of paper processing
- Flat or declining operating budget for 8 years.
- Stolen withholding information
- Short cycle with internal impact for most actions

Organizational Readiness Case Study

- Processing Division
 - Capturing the right data from returns & management snapshots
- Project the flow of work and staff based on history and budget – snapshot reports over multiple years
 - Taxpayer behavior – paper vs. electronic, exceptions
 - Department influencing - staffing, technology, taxpayer guidance
- Continuous monitoring and adjustments to prevent and react to bottlenecks

Organizational Readiness – Case Study

- Requires data from previous years for projections
- Resource Optimization Model – temporary staffing
 - Work activities, case types and inventories
 - Staff resources and capabilities
- Simulates the flow of work and the required resources
- Allows for what if
 - How many temporary staff would I need with no overtime?
 - How many temporary staff would I need if I allowed for two hours of overtime during the busiest time?

Temporary staffing model results

No Overtime

Date	Hire #	Term #
Jan 19	3	
Feb 1	472	
Mar 1	207	
Apr 1	71	
May 1		27
May 12		381
June 1		95
Jun 6		250
Total	753	753

Two Hours Overtime

Date	Hire #	Term #
Jan 19		
Feb 1	488	
Mar 1	115	
Apr 1		
May 1		
May 12		601
June 1		
Jun 6		2
Total	603	603

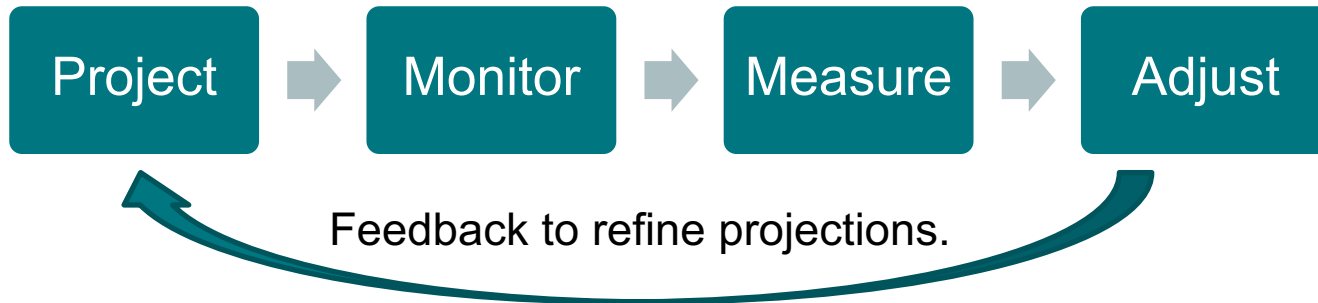
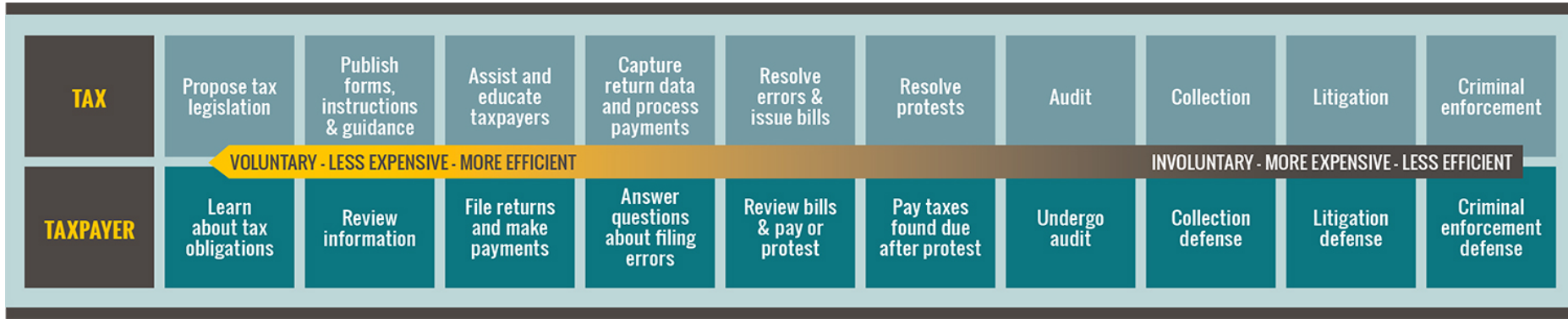
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Data for decision making – every step



Case Study: Collaborative Problem Solving

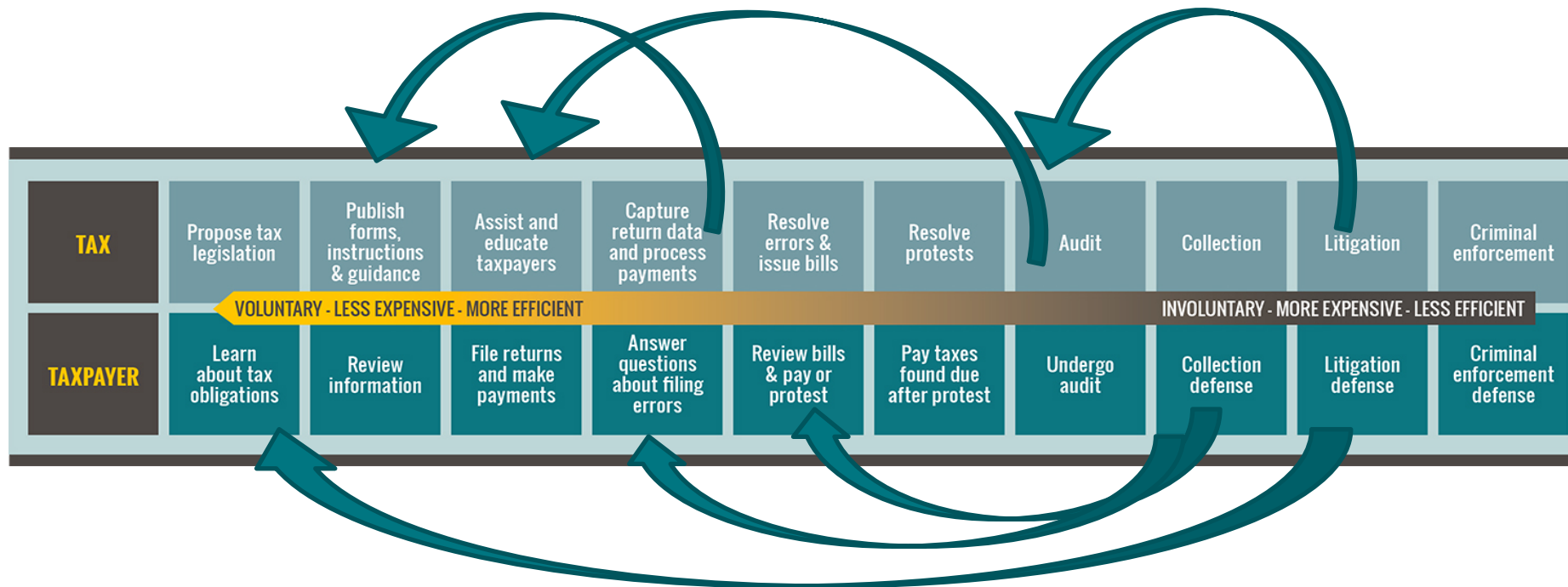
- Correspondence – taxpayers not understanding bills
- Pull sample from print shop
 - Examples and observations circulated to executives
- Focus groups – executives with front line call center staff
- Changes made to pilot group – call center measured impact
 - Call Center staff are big voice in the long-term solution
 - Data to support change or not
 - Number of calls are relative to number sent – understand the data
- Data driving prioritization and measurement of impact for future changes

***Nothing nefarious**
***Nobody is in trouble**
***Moving forward**
***Learning opportunity**

Collaborative Problem Solving Outcome

- Changes in Call Center – no more victim mentality
 - Communications from Operations
 - Participation in developing solutions
- Review for all documents – 48 hour final review to prevent issues
 - Focus group is surveyed using Survey Monkey
 - Newest employees in the Department
 - Taxpayer Advocate, Communications
 - Counsel – final review
 - Fast and inexpensive way for independent review of all new documents
 - Survey response result in change example
 - Language: Assessment vs. Bill

Feedback loop – prevent issues



Accelerators – use them

- Crisis
 - Identity theft, refund fraud, phishing
 - Budget cuts, flat budgets and economic changes
 - Vendor failures
- Leadership changes
- System changes
- New legislation, case law

What I have learned:

- Developing managers and leaders in a changing environment
 - Frameworks are more valuable than rules
 - If we can make a rule we can automate it
 - Provides confidence and alignment
- Measurements
 - Specific numbers in one area – weird results
 - Don't back someone into a corner
- People – you can't make it up, expect the unexpected
 - Passionate about their work and their workgroups – blurred reality
 - Empathy but not always sympathy
 - Hard decisions are best explained by business and/or data
 - Takes the emotion out of it
- Coverup is worse than the crime



Department of Taxation and Finance

Efficiency • Integrity • Fairness

The Journey

- Understanding the Continuum and Mission
 - Training for managers
 - Town halls
 - Posters
- Provide framework for making decisions - agility requires decisions at all levels
 - Doing the Right Thing class – Ethics Officer and I taught over 20 classes
 - Options Document – documenting key factors to assist in choosing the right option
- Strategic investment in using analytics
 - Advanced analytics and predictive modeling to increase voluntary compliance
 - Identify and stop problems before they occur
 - Reduce the burden on compliant taxpayers
 - Departmentwide resource for business units without analytics expertise
- Data for Decision Making
- Collaborative problem solving
- See something, say something – collaborative problem solving

Data for Decision Making

- Investment – move toward vision, measure efforts
 - Long game examples -
 - Taxpayer self-service
 - Prevent compliance issues
 - Enforcement to recover revenue and increase voluntary compliance
 - Agile workforce to provide first class service
 - Short game examples
 - Provide reminders before tax return is due
 - Provide for online responses to inquiry letters
 - Market e-filing or e-services to increase use
 - Identity theft stops
 - Celebrate both with measurements
 - Remind people why both are being done – people take pride

Change happens!

- Fleeting change – flavor of the day, buzz words
- Systemic change to the organization and culture
 - Strong mission and clear vision
 - Repeat, repeat, repeat and repeat – throughout the agency and to stakeholders
 - Invest to move the organization toward the vision
 - Frameworks for making decisions
 - Frameworks addressing systemic issues
 - Recognize the benefits of your investment
 - Leverage issues and celebrate success