



**STATE OF NEW YORK  
DEPARTMENT OF TAXATION AND FINANCE**

**STRATEGIC PLAN THREE YEAR UPDATE: 2007-2009**

**Summary**

**Introduction**

This Strategic Plan Update provides a blueprint for the Department of Taxation and Finance (DTF) for the next three years, with a special focus on the specific initiatives for 2007. Strategic planning is a dynamic process that requires constant evaluation and adjustment. This Update brings ten years of departmental strategic planning forward and charts DTF's course into an exciting future. It is one component of the Department's ongoing cycle of strategic and operational planning and performance monitoring.

**Vision and Mission**

As articulated in the Department's Strategic Plan, DTF's vision is to be:

*An agency that provides a fair system of tax administration, is accessible and responsive to taxpayers and contributes to a favorable economic climate.*

DTF's mission is to:

*Collect tax revenues and provide associated services in support of government services in New York State.*

**Overview of the Department**

The core business of the Tax Department is the timely and accurate administration of 42 State and local taxes and fees. This requires the processing each year of over 24 million tax returns and the collection of, and accounting for, over \$93 billion in annual State and local revenue.

To accomplish its mission, the Department employs over 4,900 people, about two-thirds of whom are located in Albany and the remainder in 12 district offices.

**Strategic Goal**

DTF administers the Tax Law with one overriding Strategic Goal:

*That all taxpayers voluntarily pay the correct tax timely*

New York’s tax system is based on the concept of *voluntary compliance* – the expectation that taxpayers will voluntarily pay the right amount of tax timely. DTF engages in a wide range of activities that directly or indirectly promote voluntary compliance, stretching from activities that occur before the taxpayer begins to fill out his or her return, to enforcement of the tax laws through criminal prosecution. Similarly, taxpayers’ interactions with DTF cover a broad range of parallel activities, from following instructions and filling out forms through potential litigation and criminal defense. The illustration below places the range of both DTF and taxpayer activities on a *Compliance Continuum* that depicts these relationships:

<b>The Compliance Continuum</b>										
<b>Voluntary</b>						<b>Involuntary</b>				
<b>DTF</b>	Draft and negotiate tax legislation	Publish forms, instructions and guidance	Assist and educate taxpayers	Capture return data and process payments	Resolve exceptions	Issue bills and resolve protests	Audit	Collect	Litigate	Criminal enforcement
	Review instructions	Ask questions	File returns and make payments	Answer questions arising from exceptions	Review bills	File protests	Undergo audit	Collection defense	Litigation defense	Criminal enforcement defense
<b>TAXPAYER</b>										

**More Taxpayers Impacted at Less Cost**

**Fewer Taxpayers Impacted at Higher Cost**

**Increasing Voluntary Compliance**

The Compliance Continuum illustrates two important points. First, the cost of tax administration and compliance --- for both DTF and taxpayers --- generally increases as one moves from left to right. Criminal enforcement against a minority of taxpayers is a critical activity but the least efficient means of gaining compliance. Second, activities on the left side of the continuum directly impact a much larger number of taxpayers acting voluntarily, and hence are more efficient.

To meet the strategic goal that all taxpayers voluntarily pay the correct tax timely, *DTF will continue to pursue activities that move taxpayers “up” the Compliance Continuum to achieve greater voluntary compliance. This conceptual framework helps us determine our priorities on both an enterprise and a division level.*

## Strategic Objectives

To realize the Department's Strategic Goal, we seek to achieve three interrelated objectives:

- (1) **Preserve the current high level of voluntary compliance.** Roughly 96% of tax revenue comes in from taxpayers who timely file and remit the taxes due. Economic, demographic, technological and other factors affect our ability to maintain this level of compliance. New departmental business practices, as well as tax law changes and simplifications, are necessary to preserve the existing revenue base.
- (2) **Increase voluntary compliance above its current level.** While the vast majority of tax obligations are met on a voluntary basis, there remains a gap between what is voluntarily collected and what is actually owed if the State were to achieve full compliance. Any closing of this tax gap will generate significant additional State and local revenue. Carefully constructed and measurable customer service and education initiatives will give taxpayers a better understanding of their tax obligations and the amount of tax owed. This effort should result in an increase in the amount of revenue that comes in voluntarily.
- (3) **Leverage our business intelligence tools and our tax enforcement efforts -- audit, collections and criminal enforcement -- to move more taxpayers into voluntary compliance.** What cannot be achieved voluntarily must be pursued through coordinated enforcement activities, drawing upon internal and third-party data to focus enforcement resources.

## Strategic Framework and Realignment

DTF is now organized into eight major offices and/or divisions to support the varied functions of the Compliance Continuum and help us achieve our strategic initiatives: Processing & Taxpayer Services, Tax Enforcement, Budget & Management Analysis, Counsel, Tax Policy Analysis, Administration, Information Technology Services and State Treasurer.

In a significant realignment undertaken in 2007, the Department has reorganized the existing audit, collections and criminal enforcement units into one Office of Tax Enforcement (OTE) with separate divisions. This has been done to increase collaboration and improve the sharing of resources, business intelligence and data across the units. The realignment establishes the foundation for all of the Department's enforcement initiatives. The new Office houses the Audit Division, the Collections and Civil Enforcement Division, the Investigations and Criminal Enforcement Division and a new Unit called Data Resources. This new Unit consists of a technical data team dedicated to using business and IT tools to mine internal and third-party data to improve every aspect of enforcement, from audit selection to statewide criminal actions.

The creation of the new Data Resources Unit is part of a larger effort to capitalize on the data resources now available to the Department. To assure enterprise-wide access to and use of our accumulated data, a new Unit also is being added within the Office of Information Technology Services. This Unit will catalogue and document data, provide easy-to-use tools to access data, assist in data modeling, and serve as a centralized training resource for data users throughout the Department. The creation of this Unit, together with Data Resources within OTE, should enhance our ability to leverage data to support tax policy, processing and enforcement.

### **Strategic Initiatives for 2007**

Over the past several years, our strategic plan has focused on utilizing our key business processes to move taxpayers up the compliance continuum. We will continue at the enterprise level to enhance and improve service delivery in returns processing, taxpayer guidance, and collection and enforcement activities which represent our core mission.

Our strategic initiatives for 2007 will further our strategic goal by leveraging our enhanced business intelligence as well as our strong employee workforce. Data derived from multiple sources will be used to enhance our understanding of taxpayers' service needs and expectations, taxpayer filing patterns and behaviors, and will support recommendations for rationalization and simplification of the tax law. Leveraging the capabilities of data warehousing, data mining and sophisticated reporting tools, as well as the talents of our highly committed and competent employee population, we will:

- Deploy the third stage (Release 3) of e-MPIRE, the Department's massive IT initiative, building an integrated tax system of record for processing, taxpayer accounting, case management and revenue accounting for all major taxes. The e-MPIRE project is strategic, providing a new framework and architecture to support current and future high capacity processing requirements as well as web-based services to taxpayers and business partners. Release 3 deploys personal income tax, and must be ready by January 2008. It will enable us to shift processing from the existing UNISYS mainframe platform, which is no longer supported by the vendor. Successful deployment is required for the Department to timely process over 9 million personal income tax returns in the spring of 2008 and release almost \$5 billion into the State's economy through the issuance of approximately 5.5 million refunds.
- Create Fraud Units in District Offices across the State to conduct audits and investigations of taxpayers suspected of fraudulent conduct. The Units, which will consist of auditors, investigators and attorneys trained in forensic investigations, will aggressively pursue cases of suspected civil and criminal fraud.
- Increase substantially the proactive enforcement activities of the Division of Investigations and Criminal Enforcement to enhance deterrence through increased public awareness of enforcement activities. In tandem, we will increase our

collaborative actions with prosecutors across the State to accomplish coordinated statewide enforcement actions.

- Deploy the Case Identification and Selection System (CISS) in the Collections and Civil Enforcement Division and make related changes in business processes to improve collection efforts. CISS is an IT application currently in use in the Audit Division which calls upon our data warehouse and predictive modeling capabilities to screen and score personal income tax returns while in the processing stream for suspicious and/or fraudulent filings. The application is being expanded to score, on a continuous basis, the existing multi-tax collection inventory for collectibility and next best action.
- Create a new office, Enterprise Communications, that will be responsible for “clear language” taxpayer communications (correspondence, bills, simple how-to guides), as well as the content, navigation and intuitiveness of our public internet site. We currently have a wealth of talent that is dedicated to technical writing and the issuance of somewhat complex tax guidance. While this guidance is critical to proper tax administration, the initiative will create the opportunity to communicate with individual taxpayers in a simplified, straight-forward way – whether it is the newly-hired 22 year old college graduate who will not read our detailed paper instructions and file a paper return, or the small business-owner who cannot understand our complicated sales tax requirements.
- Develop, in conjunction with the Governor’s Office and Division of Budget, an agreed-upon, multiple-year work plan for tax policy development to achieve targeted tax law modernization, simplification and/or reform. In 2007, our tax policy staff and Office of Counsel will work with Empire State Development on Empire Zone reform. Additional areas of policy focus could cover topics such as financial services modernization, telecommunications modernization, and sales tax simplification.

## **Future**

These strategic initiatives will help us achieve a solid foundation for further-reaching initiatives in future years. Many of the strategic initiatives that we will begin in 2007 will come to fruition over a longer period of time. For example, a project to simplify and rationalize a specific area of the tax law will require data analysis, consulting with taxpayers and close coordination with the Division of Budget and the Governor’s Office before any proposal is presented for executive and legislative consideration. We are committed to directing our resources to multi-year initiatives that will yield significant results in advancing voluntary compliance.

We are building the infrastructure that will enable us to take giant steps forward in serving the needs of the next generation of tech-savvy taxpayers as well as those who choose to be served using other channels. Our Online Tax Center currently enables taxpayers to identify themselves and access a number of services. With the

implementation of e-MPIRE Release 3, the cornerstone of our new technology platform, we will be able to significantly expand those services. Together with the upgrade of our call centers, this new technology will enable us to offer multiple channels for communicating and conducting business with the Department.

Continued development of our technological infrastructure will provide tools to enable our employees to serve customers better and faster, including wireless access to the Department network, access through the portal to business tools, and the enhanced call center. Eventually, with voice over IP communications, our field staff will be supported with a fully mobile office enabling seamless communications with taxpayers while in the field.

We intend to provide accessible, efficient information and services that are geared to the specific needs of the taxpayer. We will develop guidance on matters of interest to specific taxpayers (e.g., first time filers, employers of domestic help, industry-specific guides) using both traditional and new media such as streaming video. We will broaden our offerings to those who are non-English speaking.

In addition to enhancing our ability to serve taxpayers, our technology platform will enable us to improve processing efficiency and security through web service integration with outside partners, including banks, other State agencies, and the Federal government. Appropriate data can be shared immediately through web services, in contrast to the multiple steps of the current processes, requiring time-consuming and labor-intensive data extracts and file transfers. For example, in performing front-end return processing, our third party processors will be able to verify taxpayer names and addresses against our records on a real-time basis.

Finally, our new systems will allow us to collect more data and make it easily and quickly available for analysis. We will continue to leverage business intelligence applications (data warehouse, data mining and reporting tools) to support mission-critical decision-making about tax policy, tax enforcement and our management of processes and resources.

## **Conclusion**

The framework of this Strategic Plan Update will guide the Department's offices and divisions as they develop operational plans and project plans. Through collaboration and a focus on results, we will advance strategic initiatives to preserve the current high level of voluntary compliance, increase voluntary compliance above its current level, and move more taxpayers into voluntary compliance.

# New York State Department of Taxation and Finance Strategic Plan Update 2007

