NATIONAL RECOGNITION

**Center for Digital Government Award**
Indiana received a perfect score and a first place ranking in a recent survey of 49 states conducted by the Center for Digital Government in the area of revenue/taxation. The Digital State Survey gathered information on how states are moving from paper-based to electronic processes. North Carolina was the only other state to receive a perfect score.

Indiana received this ranking for many reasons, including the availability and the frequency in which tax forms are downloaded from its website. Most importantly, the Department was recognized for the growth it has experienced in offering Hoosier taxpayers alternative filing methods, such as electronic filing and 2-D Barcode technology. During the 2001 filing season, the Department received almost half of its Individual Income Tax returns via alternative filing methods. The Department has begun to meet the goal of every state revenue agency – to move from a standard paper to a more streamlined electronic environment.

**Pioneer Institute Award**
The Indiana Department of Revenue also received an Honorable Mention in the “2000: Ideas into Action - Better Government Competition,” sponsored by the Pioneer Institute of Boston for its application of the 2-Dimensional Bar Code to tax returns.

**2000 Innovations Awards**
The Indiana Department of Revenue won Third Place in the 2000 Innovations Awards presented by the Council of State Governments for its 2-D Bar Coding of Indiana state tax returns. The awards ceremony was held at the Midwestern Legislative Conference in Minneapolis, Minnesota in early FY01.

**Hammer Awards -- U.S. Government**
In FY01, the Department won two Hammer Awards. The Taxpayer Services Division won a Hammer Award for its Federal/State TeleFile Program Team; and, Motor Carrier Services Division won a Hammer Award for its PRISM Program, Performance and Registration Information Systems Management.

**Top Notch Web Site**
The Department received recognition this year for “One of the Top Notch Web Sites” for ease of use. The Department’s Web Site was recognized by Govspot.com, the government information portal of the Web, as one of the best state government resources.

**Software Developers’ Approval**
Indiana’s was the only state department of revenue to be graded as “Outstanding” by the National Association of Computerized Tax Processors. This honor comes from the Department’s close cooperation and communication with tax software developers throughout the design process.

ELECTRONIC COMMUNICATIONS

"Doing Business in Indiana" has never been easier! Tax related topics of special interest to new businesses in Indiana and to those contemplating starting new businesses were collected into a special section of the Department’s Web site (www.IN.gov/dor/) this year. Topics include how to become a corporation and how to register with the State to collect and remit Indiana sales/use and withholding taxes.

Business structures are discussed, such as domestic and foreign corporations, S corporations, unincorporated entities, such as limited liability partnerships (LLPs), limited partnerships, sole and general proprietaryships, as well as not-for-profit entities, organized either formally or informally, requirements for contractors who want to do business with Indiana, and part-time/temporary/seasonal employers, and retirement withholding.

Also included are: topical references to departmental notices and information bulletins, the Indiana Tax Code and the Indiana Administrative Code, tax tables, required corporate tax forms and instructions (e.g. Form BT-1, Business Tax Application et al.), as well as references to other helpful organizations and state offices.

**Forms Availability**
The state’s individual tax return was downloaded 500,000 times in the first three months of 2001. Toward the end of the filing period, the Department’s Web site was getting 32 requests per second for tax forms.

Forms and instructions are also available in the Indiana Package IN-X CD-ROM and by e-mail request to pfrequest@dor.state.in.us.

Since most of these methods require computer access, the Department continues to develop and improve the TaxFax system (see later in this article) for taxpayers without computer access.

In addition, forms are available by telephoning the Department’s forms ordering hotline at (317) 615-2581, or by writing to: Forms Ordering Section, Indiana Department of Revenue, 100 N. Senate Avenue, Rm. N-248, Indianapolis, IN 46204-2253.
IN E-Pay
Rolled out in FY01 was the new IN E-Pay system, an electronic method for Hoosier taxpayers to pay amounts owed to the Indiana Department of Revenue with either a telephone call or via the Internet. Payments can be made for either current taxes or previous billings from the Department. A partnership with accessIndiana, a division of Indiana Interactive, Inc., a wholly-owned subsidiary of the National Information Consortium (NIC), helped to launch this new and exciting payment system for Hoosier taxpayers.

Electronic Distribution
The conversion from U.S. Postal Service mailings to electronic methods of e-mail and FAX has begun.

It is expected that distribution expenses of press releases to the media and newsletters and announcements to tax practitioners will be greatly reduced, thereby saving taxpayer money and helping to save the environment, as well.

The Indiana TaxFax System
The TaxFax system is an automated form and information distribution system. It is available 24 hours a day, seven days a week. To access the system, taxpayers and tax professionals can call (317) 233-2329 from the telephone portion of a FAX machine to obtain most forms and/or catalogs of available forms.

During Fiscal Year 2001, the system answered 12,348 calls, which was 30% down from the 2000 fiscal year. This decrease coincides with the increased development by the Department and increased usage by taxpayers of the Department’s Internet site (www.IN.gov/dor/), where forms are available for downloading.

MEDIA RELATIONS AND PUBLICATIONS

Media Relations
The Media Relations and Publications Office, with assistance from the Taxpayer Advocate Office/Public Affairs Division, conducted interviews with broadcast and print media around the state during February, taking news of the Department’s new Spanish IT-40, the new IN E-Pay system, and all of the electronic filing methods to the taxpayers.

In addition, the Media Relations and Publications Office produced numerous press releases and conducted over 300 television, radio and newspaper interviews during FY01. It also conducted a Media Day at its Returns Processing Center on tax deadline day, Monday, April 16, 2001, opening up the Department’s state-of-the-art processing facilities to all Indianapolis area broadcast and print media.

Publications
This office published The Indiana Tax Dispatch, a quarterly newsletter for tax practitioners. The Dispatch contains important news and information to professionals of changes, developments and advances in Indiana tax laws and the Department’s procedures and outreach efforts. In addition, information about other related tax organizations and conferences/seminars is included.

This office also edits the Department’s annual report, The Indiana Charity Gaming Newsletter, a biannual newsletter for not-for-profit organizations either conducting or interested in conducting charity gaming events; helps to edit its Motor Carrier Services Division’s quarterly Trucking Tips newsletter; and edits Visions, an internal newsletter for employees. All external publications are free to the public.

RETURNS PROCESSING CENTER

Continued Use of the Two-Dimensional Bar Code Program
The Indiana Department of Revenue continues the use of two-dimensional bar code in the processing of Indiana Individual Income Tax Returns.

Indiana receives almost three million Indiana individual tax forms each year, almost half of which are received in the two weeks surrounding April 15th. In order to process this huge amount of tax filing in such a short amount of time, the Department has expanded the two-dimensional bar code program to include four individual income tax forms (IT-40, IT-40EZ, IT-40PNR and IT-40RNR).

In addition, the Department has worked with more software companies, who are now processing Indiana income tax returns with the two-dimensional bar code on the paper returns. During this past filing season, there were eight software companies that provided this service and the Department received over 515,000 Indiana income tax returns through the bar code program. Compared to the previous tax year, there were four software companies involved in the processing of approximately 195,000 Indiana income tax returns through the bar code program. This is an increase in two-dimensional bar code filing of one hundred sixty four percent.

Not only is the two-dimensional bar code process the fastest method of processing a paper tax form, it also has the benefit of having fewer errors than a standard paper filed return. The error rate for a two-dimensional bar code return is about six percent, whereas the error rate for a standard paper return averages around sixteen percent.
Adding Corporate tax forms to the program
In addition to the number of individual income tax returns filed with the two-dimensional bar code, the Department has also worked with five software companies in order to process Corporate Income Tax Returns through the program (Indiana forms IT-20 and IT-20SC).

During the first year, the Department has processed approximately 2,200 Corporate tax returns through the two-dimensional bar code program.

Looking to the future with the Two-Dimensional Bar Code Process
The Indiana Department of Revenue is also working on implementing other tax types and tax forms into the two-dimensional bar code process, such as the International Fuel Tax Agreement (IFTA) form, the Indiana Partnership and S-Corporation tax forms and the Indiana Fiduciary tax form.

Indiana Department of Revenue’s Electronically Filed Individual Income Tax Returns
It is the goal of the Indiana Department of Revenue to process as many individual income tax returns through alternative means as possible. By “Alternative Means” of filing, the Department is referring to any tax return that can be filed without the use of paper forms that need to be pre-edited and key punched. Electronically filed tax returns are the fastest and most accurate alternative means of filing an individual income tax return.

Federal/State Electronic Filing Programs
Indiana has been involved in the Federal/State E-File Program since 1992, a program that has continuously increased the number of filers from year to year.

As with any Federal/State program, both the Federal and Indiana tax returns are filed together and first sent to the IRS. Once the IRS has accepted the filing of the Federal return, they will allow Indiana to retrieve the state return for processing. If the Federal return is valid, the Department receives the Indiana return in only two days from the time the returns were electronically transmitted.

Of the three million Indiana tax returns received, over 643,000 were returns that were electronically filed through tax practitioners who are approved Electronic Filing Originators. Between the various software validations and the fact that the practitioners are providing the keypunch process of the tax return, the error rate of an electronically filed return is less than one percent (0.9%). In addition to the accuracy of the filing, the practitioner is provided an acknowledgment of the filing once it is accepted by the department.

Indiana is also involved in two other Federal/State Electronic filing programs, the Federal/State TeleFile Program and the Federal/State On-Line Filing Program.

The TeleFile Program allows qualified Indiana taxpayers to file their Federal and Indiana returns via the telephone. If the taxpayer receives a Federal and Indiana TeleFile Tax Booklet, they may file both returns with one toll free telephone call. This program is the only Federal/State Program to show a decrease in the number of filers from the previous year.

Finally, the Federal/State On-Line Filing Program was introduced for those taxpayers who like to complete their own tax forms and want to file both their Federal and Indiana tax returns from their home computer. This program uses practically the same software (from the various software vendors) that is used by tax practitioners throughout the U.S.

All of these programs are accurate, fast and are acknowledged once received and accepted by the Indiana Department of Revenue. Thus, they are the best Alternative Means to have a return filed with the department.

Looking to the Future
Currently, as with all Federal/State filing programs, a state return cannot be filed unless there is a Federal tax return being filed with it. The Indiana Department of Revenue, along with 32 other states, is in the process of working with the IRS to implement the possibility of processing a state only return when a taxpayer cannot file their federal tax return electronically. The IRS feels that this may be possible for the 2003 filing season.

REVENUE PROCESSING SYSTEM (RPS)
As of January 2001, the final phase of the fully integrated tax processing system was rolled out. In March 2001, a predictive Dialer was added to the system, which will enhance our pursuit efforts.

This new system also allowed Indiana to participate in the Federal Refund Offset program. This program allows states to offset Federal refunds to pay tax liabilities owed.

TAXPAYER SERVICES DIVISION
The Taxpayer Services Division of the Indiana Department of Revenue is responsible for providing customer service to Indiana taxpayers having questions and needing assistance to resolve various types of individual and business tax problems. Its sections include: Telephone Section, Correspondence Section, Taxpayer Walk-In Section, and Research and Support Section. During the past