



INDIANA DEPARTMENT OF REVENUE

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Director Jackson,

The Indiana Department of Revenue (DOR) is comprised of nearly 700 dedicated public servants in 13 locations throughout the state and selected locations around the country. This highly specialized team of professionals skillfully administers more than 65 active tax types while serving millions of Hoosier taxpayers. The DOR team processes millions of tax returns, hundreds of thousands of pieces of correspondence, serves customers via phone, email and walk-in, completes thousands of diverse audits, addresses taxpayer protests, and handles diverse and complex tax policy and legal responsibilities. The majority of the DOR team is located in the Indiana Government Center, however, DOR also has operations at a large processing facility west of Indianapolis and in 11 district offices located throughout Indiana.

Over the last three years, the DOR team has embarked on an incredible journey to reengineer the mission, vision, core values, culture, and relationship with all of DOR's stakeholders and service delivery.

While operating this high-volume, high-variability and high-complexity agency, DOR also went to work to build the organizational capability to replace the 24-year old legacy tax processing systems – as well as modernize the service operations to introduce a new level of service to Hoosiers.

This work has been exciting, rewarding and exhausting. It also never ends. But the DOR team has come a very long way and is proud of the progress made.

While living DOR's mission to serve Indiana by administering tax laws in a fair, secure and efficient manner, the agency has stayed keenly focused on the aspirational vision to be recognized as the premier tax administrator in the nation and great place to work – and the team is very proud of the results.

Many of DOR's programs, including ID protection and fraud prevention, Motor Carrier Services, Data Privacy and Security, and Communications, just to name a few, are being recognized as industry leaders.

In May, the Federation of Tax Administrators (the national tax industry association) honored DOR with two awards recognizing the agency's commitment to data security training and employee communication. This followed last year's FTA recognition for DOR's employee engagement and awards for the customer feedback portal and community volunteer programs.

In June of this year, the IndyStar announced that DOR had been awarded the prestigious Top Workplaces award for the second straight year. This award is based on DOR team member's anonymous feedback on organizational commitment, communication, motivation and leadership. Being the first Indiana state agency to win this award in 2019 was amazing. Winning it again in 2020 is pretty special.

During the past year, the DOR team remained steadfast in the pursuit of continuous improvement, enhanced customer service and increased voluntary compliance for Hoosier taxpayers as DOR continues to take Indiana's tax administration to the next level. Fiscal Year (FY) 2020 featured DOR's successful launch of Project NextDOR's first phase (Rollout 1), comprised of corporate tax types and featuring DOR's new online, e-services portal, INTIME. As of the date of this letter's publication, certain Hoosier taxpayers are interacting with DOR and accessing their tax information in ways they have desired to do so for decades. It is but a matter of time now until the remaining phases of Project NextDOR – the multi-year modernization journey - will be implemented, covering all tax types and transactions between Hoosiers and DOR.

DOR is changing the traditional narrative about state revenue agencies by exhibiting passion and dedication to public service, and enacting standards of excellence often reserved for private sector organizations. Given Indiana's consistent ranking atop most lists for government administration and efficiency, DOR is committed to helping solidify this positioning for years to come. There are exciting things planned for FY 2021 most notably the second rollout of Project NextDOR, which is anchored by sales tax and will have a major statewide impact.

During FY 2020, DOR efficiently and accurately processed more than \$20 billion of Indiana tax revenue including taxes distributed to local units of government and taxes earmarked for dedicated purposes. DOR operated at an efficient cost of \$71 million to produce this tremendous revenue result.

During FY 2020, DOR served more than 4.4 million individual taxpayers and more than 282,000 business taxpayers and processed over 4.2 million payments. Additionally, a total of 280,000 corporate income tax returns and 3.2 million individual tax returns were processed.

DOR ORGANIZATION AND BUSINESS UNIT SUMMARIES

DOR is organized into several divisions. Refer to the organizational chart in Exhibit A for further detail.

A brief description of each of the divisions and sections are as follows:

OPERATIONS DIVISION

- **Returns Processing Operations (RPO)** is dedicated to the efficient and high-quality processing of all paper tax returns, correspondence, incoming mail and check payments. In addition, this team handles special processing functions including titles, tax clearances, bankruptcy, utility exemptions and special refunds. This high volume, high complexity and high variability operation annually processes over four million tax returns, all DOR correspondence and all paper check transactions.
- **Customer Service** is located in 12 locations across the state and operates DOR's walk-in centers, call center operations, automated voice response systems, correspondence processing operations, email services and payment services. This team also provides support for the INTIME, INBiz, INTax and DORpay portals and service offerings.
- **Tax Liability Management** works closely with Indiana County Clerks, Sheriffs and DOR's collection agency to manage all tax warrants and related collection activities. This team also works collaboratively with Customer Service and the Taxpayer Advocate and tax practitioners to research and resolve customer account issues that are in various stages of collections.
- **Special Tax** is responsible for administering 25 special taxes and fees across a diverse group of individuals and businesses in a variety of industries. These unique tax types generate over 60,000 transactions and account for approximately 11.5% of all tax revenues collected by DOR annually. At the top of the list of this team's responsibilities is the administration of fuel, tobacco and alcohol excise taxes.
- **Motor Carrier Services (MCS)** is a specialized business unit within DOR providing support to motor carrier companies and commercial drivers through the administration of state and federal laws that govern the commercial use of Indiana's roads. MCS manages the International Fuel Tax Agreement, International Registration Plan, oversize/overweight vehicle permitting, various safety and licensing programs and the issuing of U.S. DOT numbers.
- **Audit Operations** is comprised of dedicated audit professionals located in Indianapolis, DOR's 11 District Offices and select locations across the nation. This group of highly educated, trained and experienced tax auditors is responsible for conducting audits for Indiana individual and business taxes and for supporting DOR's Policy, Legal and Operations Divisions.

- **Audit & Compliance Support** is comprised of specialists who operate a diverse set of key support functions for DOR’s Audit Operations. These support functions include audit selection, audit quality assurance, audit billing, audit training and audit protest support – all designed and operated to improve the quality, efficiency and overall results of DOR tax audits. This team also includes a specialized service group utilizing big data and sophisticated analytics to improve DOR decision making, enhance business processes, protect the identity of Indiana citizens and guard against the stealing of tax refunds. A specialized team of fraud analysts utilizes industry best practices and state-of-the-art fraud analytics to identify and stop suspicious transactions, work with filers to verify their identity and to stop erroneous returns. This team works with business partners, other states, the IRS and DOR’s Inspector General to act against suspicious parties and to continuously enhance DOR’s fraud detection filters and business processes.
- **Business Systems Support** is charged with providing the agency with a variety of process analysis, project management, problem research/resolution and business process improvement services. This team includes Enterprise Project Management Office (ePMO), Training and Organizational Development, Operations Improvement and ITS Support. This team of specialists helps DOR management and staff identify, research, design and implement business processes and system improvements in delivering both short and long-term improvements. They also play a key role in supporting Project NextDOR. Using advanced project management, training and process analysis disciplines, this team’s work improves the quality, speed and efficiency of DOR operations.

FINANCE DIVISION

- The Finance team manages all budgeting and accounting, payroll, procurement, internal controls, financial planning and revenue analysis for the agency. This team of specialists is focused on providing accurate, decision-useful financial insight and reporting, management, accounting for tax revenues in accordance with tax laws, safeguarding public assets and supporting strategic, fiscally responsible DOR spending in a manner benefiting Indiana.

INFORMATION TECHNOLOGY DIVISION

- **Integrated Tax System Modernization (Project NextDOR)** is charged with upgrading and modernizing the business processes and technologies within DOR to assure delivery of reliable and effective customer, tax administration and collection services. Project NextDOR is scoped to be a multi-phased initiative spanning approximately five years.
- **Systems Development** consists of technology specialists supporting the core tax administration, returns processing and payment processing systems. This team includes software design, software development and quality assurance testing professionals. Their focus is on software development efforts enabling legislative, year-end and process improvement changes.

- **Security Office** is charged with all system and data security issues, training for end-users, technical information assurance training, IRS safeguard audit activities and continuity of operations and disaster recovery planning/actions.
- **Information Management** is a specialized group of business intelligence and reporting professionals that take DOR's data and turn it into information for management decisions, operational metric tracking, trend analysis and process analytics. This team also supports the data warehouse and related reporting systems.
- **Operations Support** supports staff technology systems, manages agency operations hardware and software, the information flow and relationships DOR IT has with internal DOR customers and external partners. This includes workstation support, the IOT Gatekeeper role, Incident Management, Data/Database Administration, Configuration/Release Management and the Internal DOR Help Desk.

COMMUNICATIONS DIVISION

- **External Communications** manages all external communications, media relations, external newsletters, email communications, customer correspondence, Commissioner appearances, graphics, legislature interfaces, community outreach and education, market research, web, and social media presence for DOR.
- **Internal Communications** is responsible for all communications within DOR, employee engagement and tax forms. This includes staff performance recognition programs, monthly internal newsletter, internal posters and graphics, internal communications/messaging, managing all tax forms and booklet development and publication.

POLICY DIVISION

- This team of experienced tax attorneys and support staff interprets, evaluates, formulates, compiles and disseminates tax law, policies and procedures to internal staff, DOR customers, practitioners, county officials, state legislators, other state agencies and members of Governor Holcomb's administration. This team also serves as DOR's liaison to the Indiana General Assembly, including attending and testifying before legislative committees, as well as assisting OMB, the Governor's Office and the Legislative Services Agency in the evaluation of legislation, tax administration actions, and fiscal impact statements of proposed legislation.

INSPECTOR GENERAL DIVISION

- This team is comprised of internal auditing, internal affairs, investigations, compliance, and taxpayer advocate office. Inspector General staff works collaboratively with management across DOR to identify opportunities for improvement, research specific issues and take action to implement improvements. This team also works with partner agencies to address specific issues and complete projects to implement enhancements, improve controls and prosecute fraudulent tax preparer activities.

- **Taxpayer Advocate** is a specialized team of senior analysts who research and address complex tax issues and provide specialized taxpayer services. This office fulfills the legislatively mandated taxpayer advocate responsibilities, works with individuals undergoing financial hardships and acts as the agency’s liaison with senior DOR and government officials.

LEGAL DIVISION

- The Legal team supports the agency through the management of appeals and protests, litigation and legal affairs. They support and advise DOR’s Commissioner, executive staff and staff across the agency on matters of legal, regulatory and statutory interpretation. This team also provides contract development and review services and advises and assists in litigation involving DOR in tax court, state court and bankruptcy court. Additionally, this team is responsible for designing, operating and managing DOR’s tax protest process - providing taxpayers with an independent administrative review of proposed tax assessments and refund requests.

RECENT FOCUS & ACCOMPLISHMENTS

Working to Take DOR to the Next Level

Several new programs and transformation initiatives were introduced in the last biennium focusing on improving the design, operation, management and level of service delivery for all DOR functions. There was also a special focus on improving the overall health of the organization, including improving leadership practices, partnership relationships, internal and external communications, team member performance recognition and employee engagement. These initiatives are all part of a drive to improve DOR’s culture, to improve overall customer service, to become passionate about continuous improvement and to make DOR a great place to work.

The focus on cultural transformation has led to DOR’s recognition as an IndyStar Top Workplace for 2019 and 2020. The positive energy of DOR’s teammates and engagement with DOR’s core values has led to increased involvement with the community through the award-winning “#DORGivesBack” charity volunteer program, which connects DOR employees with volunteer organizations. In FY 2020, over 100 employees volunteered a total of over 300 hours. In addition, DOR has increased its engagement and collaboration with its partners and stakeholders through statewide listening tours and the Commissioner’s Tax Advisory Council. The 14-member Tax Advisory Council allows DOR to connect directly with business leaders and tax experts who strive for effective tax administration in Indiana. Volunteering their valuable time, members provide guidance regarding agency operations, policies, programs and initiatives during each council meeting. New in FY 2020, each member was part of a subcommittee focusing on areas of Audit, Customer Service, Policy and Modernization. These committees allowed the opportunity for council members to pair up with senior DOR team members to dive into specific subjects and openly volunteer feedback to spur improvements within the agency.

Improvements are being realized across the agency and the feedback from team members, business partners, stakeholders and customers has been very positive. The foundation being built is strong and the path to a bright future is clear.

The Modernization Journey and Investment to Deliver Great Government Service

After completing a needs analysis in 2016, DOR launched its technology modernization project called Project NextDOR in early 2017. This project will replace 24-year-old mission-critical computer systems and provide the platform for improvements in the speed, quality and effectiveness of DOR's business processes.

With the support of Governor Holcomb, Indiana's General Assembly and the entire DOR staff, the agency is embarking on a once-in-a-generation opportunity to modernize DOR's current tax systems and all related business processes.

DOR's legacy system, the Revenue Processing System (RPS), has served DOR well for over two decades but simply cannot support the volume and complexity of current revenue operations. RPS is also difficult and costly to maintain and does not support the types and levels of service expected by customers and business partners. Given the technologies available today, this project provided DOR the opportunity to transform the way all DOR services are provided. This project is implementing the best, most efficient tax system at a reasonable cost to Hoosiers and seamlessly transitioning DOR to the future of tax administration and customer service. The mission and goals of Project NextDOR are in perfect alignment with DOR's Pyramid of Excellence. The project's mission is, "To modernize business processes and technologies to deliver industry-leading, customer-centric services that enhance transparency, accuracy and compliance while facilitating continuous improvement." The major goals include best-in-class customer service, introduction of industry-leading service offerings, effective controls, audit integrity and increased operations efficiency and effectiveness.

In late 2016, the initial project plan was completed, and project funding was secured. In early 2017, a dedicated integrated tax system modernization team was formed to lead the four-year implementation of this project. This team led the daunting work of securing the valuable time from more than 80 DOR Subject Matter Experts (SMEs) to identify and document over 2,000 business processes. The team also gathered current barriers and new requirement information from DOR business partners and tax practitioners. This detailed work resulted in the development and publishing of a very detailed Request for Information (RFI) and formal Request for Proposal (RFP) in March and June of 2017 respectively – with vendor presentations and solution research occurring in between.

In 2018, FAST Enterprises, the worldwide leader in the revenue administration system solutions, was selected to provide and implement DOR's new mission-critical tax processing system. FAST Enterprises has successfully implemented its proprietary software in 26 other states around the country, and several more locations around the world.

In 2017 and 2018, DOR team members conducted extensive due diligence and traveled to other states who are using FAST's system to assemble best practices, obtain lessons learned through implementation and develop a successful plan for Indiana.

With three successful years complete, over the next two years, DOR will finish the project, which will modernize all tax administration, customer service delivery, and corresponding business processes. At a high level, benefits will include:

- A modern and integrated technology platform to efficiently support Indiana’s complex tax administration functions;
- Closing of numerous control and risk gaps;
- A state-of-the-art online customer portal to allow customers to securely and efficiently transact business with DOR;
- The ability to file additional forms electronically, including amended returns; and
- Validation and transparency of revenue disbursements and reporting to local units of government.

This project, which comes with a contract price tag of \$60 million, not including post-implementation support and maintenance for the years that follow, will occur in four phases or rollouts. DOR’s most significant accomplishment in FY 2020 was the successful launch of the first rollout which went into production during the fall of 2019. The second rollout is scheduled for the fall of 2020. Internal costs, as well as other external costs for expenditures such as independent verification and validation (IV&V), change management, backfill contractors, IOT and audit and internal control review and design services, will result in an overall project cost during the implementation period of approximately \$95 million.

When successfully completed, this modernization project will completely transform the way DOR performs all of the diverse and complex processes, the way employees conduct their work each day, and the way Hoosiers interact with the agency.

To support the successful completion of this project, the DOR team is submitting a change package request for the final year of funding, which is \$20.3 million for FY 2022.

COVID-19 Response

DOR is an essential agency for the state of Indiana as the agency processes Indiana’s tax revenues while also supporting Hoosiers, businesses, corporations, partner agencies and the governor. This became even more evident when, like the nation, Indiana faced a growing pandemic. When COVID-19 began, DOR was in the midst of individual income tax season—one of the busiest times of the year for the agency. As an agency, everyone’s teamwork skills were put to the test and the team collaborated to re-engineer almost every process within the organization to respond to not only customers’ needs, but to also ensure team members were kept safe.

DOR worked through the logistics of temporarily halting in-person customer service and then, following Governor Holcomb’s Executive Orders, implemented an online application to allow customers to schedule in-person appointments. The majority of the nearly 700 team members were moved from working in the office to working remotely or voluntarily working a second-shift operation for select functions, to adhere to social distancing guidelines. In addition, the team quickly implemented procedures to keep onsite operations running and employees safe. DOR did everything possible to maintain operations, service Hoosiers, and keep customers and stakeholders informed about changes that may impact them— including extensions, processing updates and modifications to tax administration timelines.

In March of 2020, the DOR team developed the “Helping Hoosiers” initiative, which outlined several taxpayer relief initiatives to support Hoosiers during the health emergency. The plan included extending several filing and payment deadlines, as well as:

- Suspended the creation of most tax filing bills, new warrants, liens and new sheriff and collection agency cases.
- Suspended outbound collection call activity to focus additional resources on assisting Hoosiers with payment support and other customer-care questions.
- Offered installment payment plan agreements for up to 60 months.
- Suspended payment plan terminations for missed payments.
- Suspended all in-person field audit work. Instead worked collaboratively with all entities currently under audit through correspondence and teleconference.
- Modified desk audit record verification requirements (including Schedule C expense verification).
- Suspended all in-person protest hearings.
- Extended the legal protest and protest rehearing windows an additional 60 days.
- Allowed the use of a valid/current Federal Power of Attorney form in place of state’s forms in certain circumstances.
- Eliminated all possible remaining requirements for wet signatures.
- Extended record submission on all pending hardship cases until July 31, 2020.
- Extended new hardship and offer-in-compromise case processing deadlines.
- Extended expiring Registered Retail Merchant Certificates (RRMC) to June 30, 2020.

When the fiscal year ended on June 30, all tax processing systems and processes continued to operate smoothly despite the many challenges COVID-19 presented. Project NextDOR, for example, remained on time and on budget. DOR continues to remain committed to keeping all customers and team members safe while also providing best-in-class customer service to all Hoosiers as the team responds to COVID-19 and the many changes it brings.

Policy Team Support

DOR’s Policy team successfully supported Governor Holcomb’s Administration and the Indiana General Assembly before, during and after the 2020 legislative session to address important tax law topics. They also effectively partnered with OMB and the Governor’s Office on a number of COVID related tax administration Executive Orders.

Transition to a New Collection Agent

The DOR Tax Liability team successfully designed and executed a very complex conversion to a new outside collection agency – further complexed by the COVID pandemic – United Collection Bureau in Jeffersonville, Indiana. This transition has gone extremely well and became fully operational in July of 2020.

Expansion of Outreach and Education

The Business Outreach team continued DOR’s commitment to positive collaboration through business outreach and education and working with key partners and Hoosier taxpayers across the state. This included conducting many virtual workshops and presentations to adapt to social distancing guidelines due to the COVID-19 pandemic.

ID Protection and Fraud Team Drives Results

The ID protection and Fraud team have continued to stay ahead of bad actors that are trying to steal Hoosier IDs and tax refunds. During FY 2020, DOR’s fraud analytics program has analyzed all 3.1 million individual income tax returns and almost 4.2 million IDs. This year the team stopped \$17.4 million of refund fraud and confirmed almost 1,000 Hoosier IDs that have been stolen. DOR takes protecting Hoosier IDs and refunds very seriously, and the agency’s industry-leading program continues to perform superbly.

Next Level Organization Performance and Service

DOR has continued to nurture its customer-centric and employee-focused culture through engaged leadership, training, numerous improvement projects, enhanced metrics and customer service recognition programs.

AGENCY CHALLENGES

DOR’s Primary Challenges Include:

- 1. Modernization of DOR’s mission-critical tax processing systems and corresponding business processes.** Though DOR has begun the process of replacing and modernizing its tax processing systems, the underlying central repository, or hub, for many tax types (including individual) remains Revenue Processing System “RPS.” The risk of replacing the RPS application in one massive endeavor continues to be high, requiring us to gradually manage the transition process over the final two years of this project. With system modernization also comes the challenge of effectively managing dramatic change: from organizational structure alignment to optimizing the preferred solution; to job structure, training and skill set retooling for current and future staff; vendor, stakeholder and partner interfaces; process redesign and execution in a fashion that minimizes disruption to the state, to staff, partners and customers. The modernization of any system and organization has tremendous risk. The modernization of decade-old business processes and very complex financial management systems that support more than 65 active tax types, process \$20 billion and serve millions of customers is daunting.
- 2. Managing DOR’s budget at a new normal.** As everyone manages through the public health emergency brought on by COVID-19, a new challenge has been added to this already complex world, and that is the impact on the state’s finances and agency budgets. Over the past few years, DOR has made prudent investments in this agency to improve organizational capability and performance, along with the overall operational productivity, culture, and service delivery to Hoosiers. As a result, the agency has successfully pursued its aspirational vision which is “*to be recognized as the premier tax administrator in the nation and a great place to work.*” Although the DOR team has a plan in place to meet the extremely difficult budget reduction directives, this enormous challenge will require a fundamental change in its organizational structure and how DOR conducts business.

FY2020 KEY PERFORMANCE INDICATORS

The following highlights DOR's Key Performance Indicators and actual performance for FY 2020:

During FY 2020, DOR served more than 4.4 million individual income taxpayers and over 282,000 business taxpayers. Over \$20 billion was collected for the State and over 4.2 million payments were processed. Additionally, there were 280,000 corporate income tax returns and 3.2 million individual tax returns processed.

FY 2020 KPIs Established with Management Performance Hub

- Electronically Filed Tax Return Tax Refund Turnaround **Goal:** 85% within 14 days
 - **Actual:** 1,853,464 refunds issued from electronic returns; 92% within 14 days, up from 90% within 14 days in FY 2019.

- Percent of Customer Calls Answered **Goal:** 80%
 - **Actual:** 82.7% - During FY 2020, DOR answered 614,584 calls compared to 658,685 in the prior year; prior-year results were at 81.8%.

- Customer Satisfaction **Goal:** 85%
 - **Actual:** For FY 2020, DOR achieved a customer satisfaction rate of 99.6% for walk-in surveys and 86.5% for phone surveys; prior-year results were 100% for walk-in surveys and 85% for phone surveys.

- International Registration Plan (IRP) Registrations **Goal:** year over year increase
 - **Actual:** 1,134,124 - During FY 2020, MCS continued to grow the number of IRP registrations by processing 8,436 business registrations and 1,134,124 vehicle registrations – a total increase of 48,426 or 4.5% over FY 2019.

Other Key Metrics

- Dollars Collected from Non-compliant Taxpayers **Goal:** year over year increase
 - **Actual:** \$327M – This is a decline of \$3 million or -0.9% over the prior year.

- Revenue Collected per \$1 of Cost **Goal:** \$250
 - **Actual:** \$283 - During FY 2020, the department collected \$20.1 billion of revenue and expended \$71 million in operating and capital dollars.

REQUESTED FUNDING FOR PROGRAM INVESTMENTS

DOR Proposes the Program Investment Below:

1. Continue to replace RPS with a modernized integrated tax system by completing Project NextDOR

DOR respectfully requests continuation of the investment in a modernized integrated tax system to replace RPS and implement new levels of service, efficiency and accuracy. Continued investment in this modernized integrated tax system will be a major improvement over the inflexibility and unresponsiveness of the RPS system and position DOR for continued success well into the future.

An investment in the technology that facilitates DOR's ability to accurately and securely collect, distribute and report nearly \$20 billion annually is an investment fundamental to a strong state government infrastructure. A modernized integrated tax system not only addresses the current risk but positions the state to enhance taxpayer compliance and thereby improve the state's ability to fund important initiatives that benefit Hoosiers.

In recent years, the General Assembly appropriated funds to begin the process of developing a plan to modernize DOR's tax administration systems:

FY 2016-FY 2017 funding:

- 1) To complete a feasibility study;
- 2) To create a roadmap to modernize RPS;
- 3) To begin the pre-implementation work to prepare for this transformation.

FY 2018-FY 2019 funding:

- 1) Funded \$16.1 million for FY 2018 to begin implementation, purchase software licenses and complete Rollout 1;
- 2) Funded \$16.9 million for FY 2019 to begin implementation of Rollout 2.

FY 2020-FY 2021 funding:

- 1) Funded \$20.3 million for FY 2020 to begin implementation of Rollout 3;
- 2) Funded \$21.4 million for FY 2021 to begin implementation of Rollout 4.

FY 2022-FY 2023 funding:

- 1) DOR is requesting the final allotment of funding for \$20.3 million to complete the project.

DOR is prepared and eager to implement the final rollouts of its tax administration modernization – replacing RPS with a modernized integrated tax system through a phased approach over the next two years.

2. Post ITS Implementation Support

In FY 2023, Project NextDOR will be completed and DOR's integrated tax system and customer e-services portal (INTIME) will be fully implemented. At that time, DOR will face unique

budgetary challenges to fund the future state of the agency which did not exist before COVID-19 and the resulting agency funding reductions. DOR is currently projecting an FY 2023 deficit or shortfall in the ability to cover the agency's base, lights-on operations of \$4.8 million. The fully implemented tax system will trigger costs that must be absorbed into DOR's General Fund operating budget that are greater than both the savings DOR has rigorously identified from the sunset of the legacy systems and the savings that will result from the budget reduction downsizing of the organization prior to FY 2023. Those costs include long-term system maintenance, support and enhancement from DOR's vendor partner Fast Enterprises (FAST), return of key Project NextDOR staff to the base operating budget, assumption of IOT charges for the new system and the anticipation of a reversion rate in FY 2023 that will further erode the base funding. The DOR team has worked hard to identify savings that will mitigate some of the impacts of these expenses.

If additional funding is not provided to offset this deficit, the ramifications for the organization are substantial and will negatively impact DOR as it is known today, a high-quality service provider to Hoosiers and a two-time consecutive winner of the IndyStar Top Workplaces award. Absorbing these costs would put tremendous pressure on DOR's service levels and operational performance which will significantly challenge the agency and require the organization to find a way to operate more dynamically and efficiently. Not receiving additional funding would be catastrophic to DOR's ability to deliver a reasonable level of customer service while likely adversely impacting other key areas such as returns processing, refund issuing, change implementation, risk management and compliance.

Project NextDOR was never intended to be a cost savings project although the DOR team has certainly seized upon the opportunity to modernize certain business processes to take advantage of the system utility. The project was primarily intended to greatly enhance customer service, close control gaps, increase the speed of delivery and reduce the cost of future enhancements, reduce risk of customization and improve system stabilization, mitigate keyman risk of an older IT workforce, reduce/eliminate processing errors, improve workflows and service delivery as the agency modernizes its business processes, and improves reporting and data analytics capability such as ID protection and fraud prevention. Many of these benefits have already been realized and the team is ecstatic that the system is providing tremendous benefits to DOR's operations and Hoosiers through improved customer service especially as it pertains to INTIME. INTIME, DOR's customer-facing e-portal, allows customers or their power of attorney to interact electronically with DOR staff, view account information and perform online transactions such as file returns, amend returns, make payments, request refunds, view correspondence, send messages, update names and addresses and register new tax accounts. Additional electronic filing options are also showing significant benefits.

Thank you for your consideration of DOR's change package request of \$4.8 million. The DOR team fully appreciates the enormous challenges that the State faces in structurally balancing its finances during this perilous time brought on by the pandemic. Please rest assured that DOR will do its very best to optimize the state's revenues by fulfilling its mission to serve Indiana by administering tax laws in a fair, secure and efficient manner while also driving customer compliance and processing of revenues accurately and timely. DOR's modernized tax revenue enterprise system coupled with the requested ongoing FAST support, will help immensely in fulfilling that mission.

CLOSING

DOR has an incredible team of dedicated public servants who pour themselves into the important work performed every day to serve Indiana and the customers and partners that depend on us. There is a very special servant spirit across DOR, and the team is committed to serving Indiana and the Hoosiers that count on us. The DOR team is also passionately committed to living its core values of Fun, Leadership, Integrity, Respect, Teamwork, Service and Continuous Improvement.

Throughout the remainder of 2020, during 2021 and through the FY 2022-2023 biennium period, DOR will continue its passionate focus on the mission, vision, purpose and core values, learning from what works and what doesn't. The agency will be measuring, assessing, and enhancing performance metrics for the work performed and the services provided – including operations processes, service delivery, customer experiences and employee satisfaction and engagement.

Thank you for your consideration of DOR's FY 2022-2023 Biennium Budget request. DOR has made tremendous progress in recent years, but the current and future challenges facing the agency are significant. With your support, the DOR team is confident to continue on the wonderful path the agency is on and continue to make the Governor and all state colleagues proud.

Respectfully,



Robert J. Grennes, Jr.
Commissioner
Indiana Department of Revenue