

Minnesota Department of Revenue

MDOR accelerates tax processing and reduces costs with EMC Captiva FormWare



Business overview

The mission of the Minnesota Department of Revenue (MDOR) is “to make the state’s revenue system work for Minnesotans.” It provides tax information, filing and paying services, and enforcement activities that are designed to ensure that citizens have the information and means to fulfill their tax obligations. The department oversees the state’s revenue system, which is made up of 28 state taxes and local property taxes collected by county governments. The department collects approximately \$13.3 billion per year, serves 2.4 million taxpayers, and processes approximately 3.6 million tax returns annually.

Challenges

The need to streamline tax processing

The department’s legacy mainframe system was 30 years old and relied on sequential batch processing of massive volumes of paper, and was itself merely an automation of historic manual processes. It was difficult to manage and was reliant upon labor-intensive processes that grew more expensive each year. Upon analysis, it became apparent that the existing system was deficient in several key areas:

- **Taxpayer services:** The system was inflexible and unresponsive to customers’ needs and expectations. Batch processing was slow and it took up to 120 days for citizens to receive refunds.
- **Tax and budget policy implementation:** The system could not respond efficiently to changes in tax laws. In addition, delays and errors in capturing return and payment information affected quality of the state revenue forecast.
- **Compliance:** Problems with late, incorrect, or inadequate data limited the ability to achieve compliance with state laws.
- **Risk and cost management:** The risk of a major system failure grew each year.

After review of the inefficiencies, the department took on what it termed “a true reengineering project in the income tax area.” Management knew they needed a radical redesign of business processes to achieve the dramatic improvements they wanted. Yet they realized such an undertaking would involve a significant mobilization of resources and commitment to change in multiple dimensions, including changes to business processes, work group structure and jobs, organizational values and norms, information technologies, and management systems.

The Income Tax Reengineering project became a comprehensive, multi-year, multi-phase redesign of the state’s individual income tax management system. It involved a major reallocation of the business processes associated with the income tax compliance cycle, including customer education and service as well as document and remittance processing.

The solution: EMC Captiva FormWare

Department management knew it needed to utilize technology to improve the management of the information collected, produced, and stored. Management desired to implement an imaging and scanning document management system that would convert paper documents into electronic images. After reviewing numerous bid responses, the department selected Syscom, a systems integration company that specializes in workflow and document management solutions for government and financial services, to implement a solution. Syscom in turn subcontracted with EMC® Captiva®.

Syscom turned to EMC Captiva FormWare™ to serve as the central platform to capture and manage the information contained on the tax forms into MDOR's enterprise in an accurate, timely, and cost-effective manner. After documents were scanned, FormWare would accomplish the majority of the processing by capturing the original document, "reading" the data on the form via optical character recognition (OCR) technology, extracting the important data, and exporting it into the system.

FormWare would provide the core OCR functionality, including automating form identification, image enhancement, recognition, character repair, and the framework for business rules processing. Other technologies implemented would include Kodak scanners, optical disk storage, and BEA WebLogic. The combined solution would enable the online collection, transfer, and storage of data submitted either electronically or from the scanned paper returns.

The results: Reduced processing costs and improved customer satisfaction

The implementation of the new tax form capture solution went as planned and enabled MDOR to reach its efficiency and performance targets. By liberating themselves from the constraints of paper-based batch processes and using electronic media for managing returns, the department has been able to reduce the costs of processing, storing, and retrieving information. Management has substantially reduced the processing cycle time for paper and electronic filing, as well as remittance processing and funding. Finally, they have been able to increase the quality and availability of information for service, tax policy, and audit purposes.

MDOR processed roughly three million income tax forms during the 2003 tax-processing season. The department had its best tax-processing season ever, as measured by its earliest finished date on record. In scanning between 25,000 and 30,000 returns per day, the department:

- Reduced the average time to process paper returns from 30 to 40 days to less than ten
- Decreased the time to process electronic filing from ten days to three
- Processed 95 percent of returns within five days
- Significantly reduced the volume of telephone assistance calls
- Improved compliance through reduced errors and earlier audits
- Provided much improved taxpayer service
- Eliminated its backlog

Together with improvements in electronic filing, the reduction in the overall cost of processing returns was estimated at 50 to 60 percent. A critical element in the project's success was the close collaboration between MDOR, Syscom, and EMC Captiva, which made a significant number of custom modifications and provided additional training. Their teamwork helped put the department well on its way to achieving its mission of making the state's revenue system work well for all Minnesotans.



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