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Data Warehouse Collection Initiative. Cost and Revenue Report, 2017

Maine Revenue Services

Maine Department of Administrative and Financial Services

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GOVERNOR

STATE OF MAINE
MAINE REVENUE SERVICES
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ADMINISTRATIVE & FINANCIAL SERVICES

RICHARD W. ROSEN
COMMISSIONER

MAINE REVENUE SERVICES

JEROME D. GERARD
EXECUTIVE DIRECTOR

January 5, 2017

Senator James Hamper, Chair
Representative Andrew Gattine
Joint Standing Committee on Appropriations & Financial Affairs

Senator Dana Dow, Chair
Representative Ryan Tipping, Chair
Joint Standing Committee on Taxation
100 State House Station
Augusta, ME 04333

Dear Co-Chairs:

Pursuant to PL Law 2009, Chapter 213, Part TTTT, I have enclosed herewith the report regarding the costs and revenues of the Maine Revenue Services' data warehouse collection initiative. Please feel free to contact me if you have any questions about this report.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jerome D. Gerard".

Jerome D. Gerard

cc: Members of the Joint Standing Committee on Appropriations & Financial Affairs
Members of the Joint Standing Committee on Taxation
Aaron Chadbourne, Senior Policy Advisor, Office of the Governor
John Butera, Senior Policy Advisor, Office of the Governor
Richard W. Rosen, DAFS Commissioner
Robert Weaver, DAFS Legislative Coordinator



Maine Revenue Services
Data Warehouse Collection Initiative
Cost and Revenue Report

**A Report Prepared for the
Joint Standing Committees on
Appropriations & Financial Affairs and Taxation
*Pursuant to PL 2009, C. 213, Part TTTT***

**Department of Administrative and Financial Services
Maine Revenue Services**

January 5, 2017

A handwritten signature in blue ink, reading "Jerome D. Gerard", is written over a horizontal line.

**Jerome D. Gerard
State Tax Assessor**

Annual Maine Revenue Services Data Warehouse Cost and Revenue Report

**Submitted to the Joint Standing Committee on Appropriations &
Financial Affairs and the Joint Standing Committee on Taxation**

January 5, 2017

Introduction

Maine Revenue Services (MRS) identifies and collects tax revenues legally due to the State through the Data Warehouse Collection Initiative (DWCI). In 2010, MRS contracted with Revenue Solutions Inc. (RSI) to develop a data warehouse designed to produce new leads on income tax “non-filers” (i.e. individuals who are legally required to file tax returns but have not done so). RSI uses a proprietary product called Portfolio Warehouse[®] (formerly called Discover Tax[®]) to identify individuals with Maine-source income who have not filed Maine or Federal individual income tax returns. In order to facilitate this process, upon the request of the State Tax Assessor, the Secretary of State and all executive branch departments, boards and other State agencies are required to provide relevant electronic data to MRS on an annual basis. Authority to transmit such data is found under 36 M.R.S. § 194, enacted during the First Regular Session of the 124th Legislature (Public Law 2009, chapter 213).

Actual Revenue

As of December 21, 2016 actual revenues generated through the DWCI are as follows:

<u>Period</u>	<u>Compliance Collections</u>	<u>Stopped Refunds</u>	<u>Total Benefit</u>
FY 2010	\$ 0	\$ 0	\$ 0
FY 2011	\$ 349,307	\$ 1,777,707	\$ 2,127,014
FY 2012	\$ 2,947,572	\$ 2,590,031	\$ 5,537,603
FY 2013	\$ 6,393,890	\$ 3,302,924	\$ 9,696,814
FY 2014	\$ 7,186,517	\$ 2,250,344	\$ 9,436,861
FY 2015	\$ 9,645,416	\$ 2,405,179	\$12,050,594
FY 2016	\$ 8,805,895	\$ 2,741,817	\$11,547,712
FY 2017 (Jul-Nov)	\$ 4,243,327	\$ 464,696	\$ 4,708,023

As of December 21, 2016 the actual amounts paid to RSI are as follows:

FY 2010	\$ 0
FY 2011	\$ 349,108
FY 2012	\$ 1,566,847
FY 2013	\$ 2,424,204
FY 2014	\$ 1,295,841
FY 2015	\$ 1,295,049
FY 2016	\$ 962,950
FY 2017	\$ 0

Methodology

RSI receives credit for payment from revenue generation through the discovery of individual income tax non-filers and the revenue generated by intercepting erroneous individual income tax refund claims. During the first five years of the contract (through FY 2015), the State paid RSI a 25% commission on all qualifying revenue up to an annual ceiling amount. In subsequent years, RSI will be paid based on an annual contingent fee of \$750K plus fees associated with hardware/software upgrades.

Notes

The project began in FY 2010; the first cases, however, were not generated until FY2011 (approximately July 2010). The time required to implement the project caused an initial delay. The process was also slowed by the lag time between the date of assessment and the date that a collection action may begin (usually six months), which is an unavoidable delay built into the tax system.

The first of these non-filer cases began to generate actual collections during January, 2011. Collections have increased steadily over time and we expect these revenue numbers will continue. The overall project has, so far, generated revenue (through November 2016) of \$55.1 million; about 29% of this figure is attributable to stopping erroneous refunds, with the other 71% attributable to non-filer compliance programs.