

# Michigan Treasury

## Our Aspiration

*Michigan Treasury will become the best operated treasury department in the United States and the State's thought leader on all tax and revenue issues*

## Best Operated has 3 building blocks

- Engaged Employees—everything starts with the active participation of all 1,500 employees
- Developing a practice of continuous improvement—all employees need the tools, and the expectation that every day they will come to work, do their work, IMPROVE their work
- Create a culture of taxpayer service—including a speedy response to taxpayer inquiries, consistency of answers, transparency of decision making, and simplicity of compliance. The goal is to move from a culture of enforcement to one of taxpayer service

## To become the State's thought leader of all tax and revenue issues requires:

- Innovate solutions to complex policy problems
- Accurate forecasting of the state's economy and revenues
- A deep understanding of all proposed legislation

## Underlying everything are 5 key values

- The broad concept of Taxpayer Service in all we do—always ask “what is the impact on Taxpayers from our actions”?
- As a department our goal is fair and efficient administration of the tax system—not maximum revenue collection at all costs
- We want to be metric driven—measure where we want to go, and if we are making timely progress toward our goals
- Think outside our department. Use benchmarks and best-in-class whenever possible to help us find innovative solutions
- Finally, communicate / celebrate successes

## Treasury Best Operated 2016 Projects

### Tax Processing

- Document processing of correspondence
  - identify and eliminate delays
- Call Center improvements
  - ASA <4 minutes
  - Increase first time resolution

### Audit

- Reduce average audit time
- Explore alternative audit approaches
- Measure quality of audits and consistency across auditors

### Tax Hearings

- Reduce informal hearing time to <6 months
- Define and increase effectiveness
- Increase flexibility of process

### Communication

- Improve quality and clarity of all correspondence sent to taxpayers
- Establish an external review process for Treasury forms and communications
- Clarify taxpayer notification when an assessment is levied

### Liens

- Streamline the lien process—with counties

### Systems

- SAP – fix and finish current projects
- Flawlessly execute City income tax, ESA
- Implement new state-wide system - SIGMA

### Tax Policy

- Improve the internal and external legislative process
- Develop legislative package to simplify and streamline tax administration
- Find alternative methods to minimize litigation

### Local Governments

- Implement dashboards/Early warning systems for local governments and schools
- Development of standardized “tools” and earlier intervention to assist with distressed communications and school districts

### Taxpayer Advocate Office

- Establish expanded role for Taxpayer Advocate

### Work Environment

- Move to paperless environment
- Single sign-on/password consolidation for employees
- Streamline Continuous Improvement process

# Michigan Department of Treasury

## Improving Operations - Progress Report

Fair and efficient  
administration of taxes

Develop a culture of  
excellent customer service

### Cornerstone Strategic Goals

Focus on employee  
engagement and  
development

Develop a habit of  
continuous improvement

## Summary

- ▶ 2015 was the year we began a journey to improve Treasury operations and how we interact with taxpayers
- ▶ It started by defining our collective aspirations, strategy and near-term tactics
- ▶ Much was accomplished during the second half of the year - from improved income tax processing to a new streamlined audit process
- ▶ But we have just started. The Department is building on what was learned in 2015 to create further improvements in 2016

**2015 was the year Treasury developed a new aspiration and strategic plan**

**Our Aspiration**

*Michigan Treasury will become the best operated Treasury department in the United States and the State's thought leader on all tax and revenue issues.*

**Best Operated has 3 building Blocks**

- ❖ Engaged Employees
- ❖ Culture of Taxpayer Service
- ❖ Continuous Improvement

## Underlying our work are 5 key values

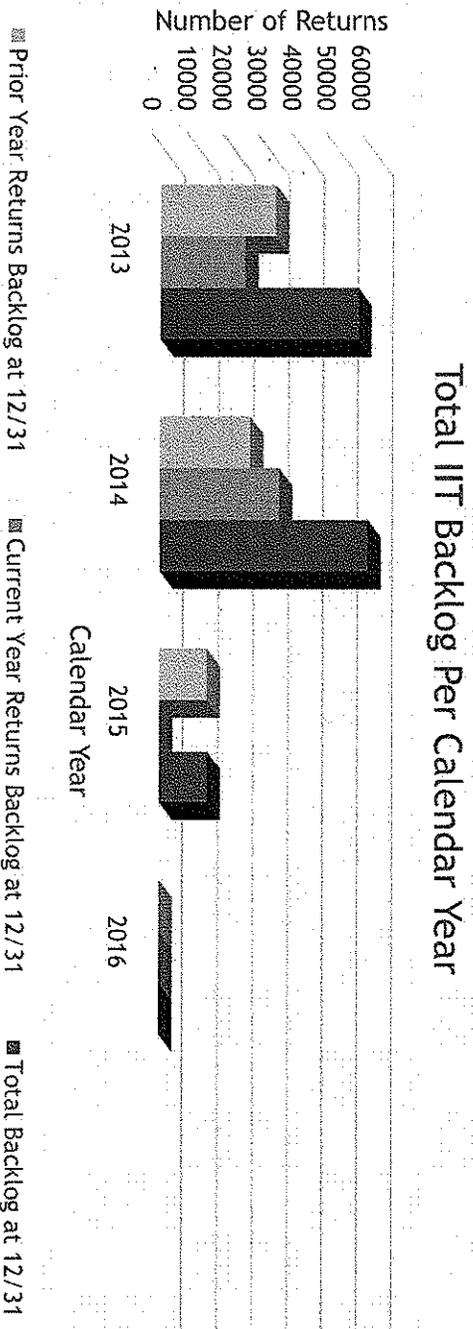
1. In all we do - always ask “what is the impact on Taxpayer”?
2. Fair and efficient administration of tax system - not maximum revenue collection at all costs
3. Be metric driven
4. Think outside our department to find innovative solutions
5. Communicate and celebrate success

**We started with a list of over 20 projects to improve the efficiency of the Department**

- ▶ Individual Income Tax Processing
- ▶ Audit
- ▶ Tax Hearings
- ▶ Communications
- ▶ Liens
- ▶ Power of Attorney
- ▶ Systems
- ▶ Documentation Backlog
- ▶ Escheats Audits

# Individual Income Tax Processing (IIT)

- **Issue:** Returns were not consistently processed in year filed, and backlogs continued to grow.
- **Metric:** All current year IIT returns are processed in the same year received.



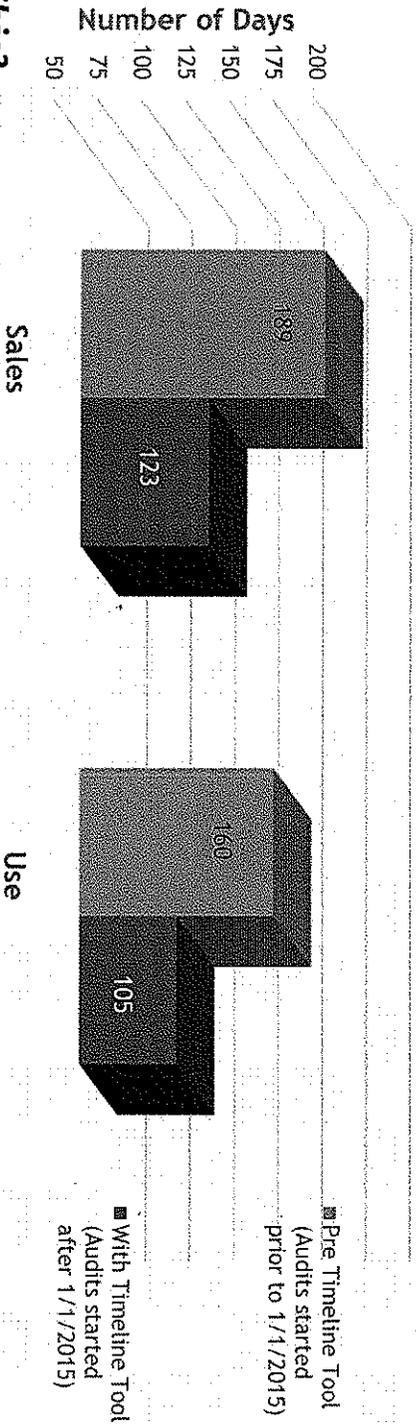
## How Did We Do This?

- ✓ Streamlined work instructions for staff to complete returns with average 38% efficiency gain.
- ✓ Increased accountability.
- ✓ Prioritized backlogs and ensured work sent to appropriate skill level staff.

# Audit

- Issue: Audits can take more than a year to complete.
- Metric: Ensure quality and efficient audits by reducing the average length of Sales and Use tax audits by 35% of prior year audit period.

Average Days in Process for "Audits Completed"

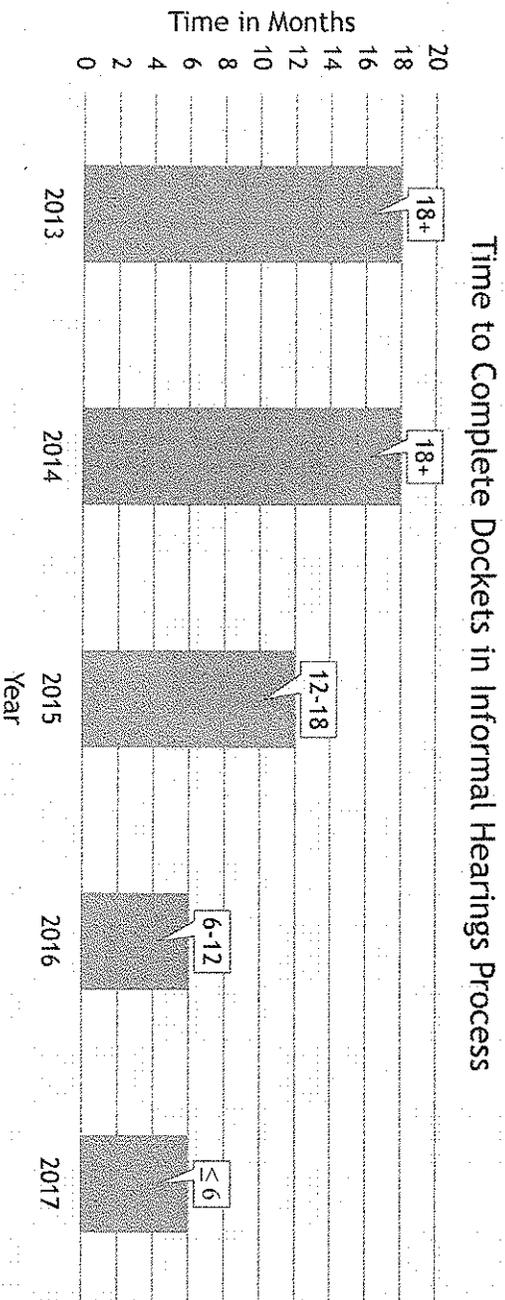


## How Did We Do This?

- ✓ New audit timeline tool
- ✓ Increased accountability
- ✓ Pre-audit conferences to set mutually agreed upon timelines
- ✓ Pilot - more focused audits

# Tax Hearings

- Issue: Informal hearings can take up to two years.
- Metric: Reduce timeline for hearings to less than 6 months by Jan. 1<sup>st</sup>, 2017.



## How did we do this?

- ▶ Set clear deadlines and increased staff accountability.
- ▶ Worked with internal tax areas to clear old accounts.
- ▶ Determined that internal review by audit staff was redundant and could be eliminated.

## Power Of Attorney (POA)

- ▶ **Issue:** Form for requesting POA and Section 8\* was unclear, and taxpayers were often asked to resend forms due to lack of internal process to share forms across areas.
- ▶ **Metric:** Improve POA/Section 8 form and create process for sharing among all Treasury areas.

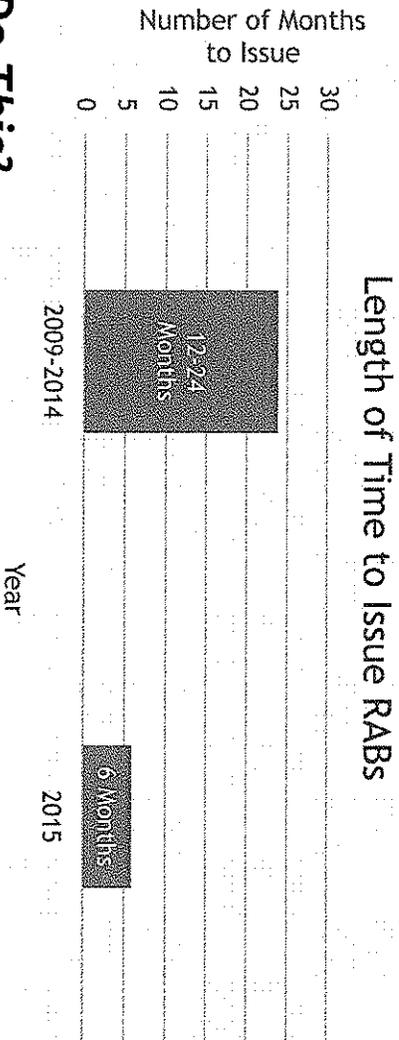
### How Did We Do This?

- ▶ Implemented one page, user friendly form that includes POA and Section 8 (available 11/2/15).
- ▶ Developed internal and external training to ensure form and requirements were understood by all.
- ▶ Created manual workflow to comply with Section 8 requests and began tracking number of requests.

❖ *Note\* - Section 8 refers to the taxpayer's request that copies of all documents related to a specific dispute be given to their authorized representative*

# Taxpayer Communications

- **Issue:** The Department did not consistently provide timely guidance to taxpayers on how Treasury will interpret tax laws - few Revenue Administrative Bulletins (RABs) were issued and could take more than a year to publish
- **Metrics:** Minimum of 10 new or updated RABs will be issued annually.



## How Did We Do This?

- ✓ Set goal to minimum of 10 new or revised RABs issued annually.
- ✓ Created timelines and reporting tool to ensure RABs are issued within 6 months.
- ✓ Increased accountability for all staff timelines.

## Escheats Audits

- **Issue:** Unclaimed Property audits could take years to complete.
- **Metric:** Implement new streamlined audit procedures, with target of 18 months to complete audit

### How did we do this?

- ✓ Work group of external stakeholders and Treasury staff issued recommendations for improving escheats process on 7/2/15
- ✓ Workgroups recommendations to streamline escheats process were used to create legislation
- ✓ Legislation was signed by the Governor on 12/22/15 and became PA 242 of 2015

## System Improvements

### Michigan Treasury Online (MTO) Enhancements

In June 2015 Treasury made a commitment to fix the Sales/Use/Withholding automated taxpayer system. The enhanced system was launched on January 11, 2016.

- ▶ Taxpayers will need just one username and password to enter MTO, file a return and make a payment and can reset their own username and password.
- ▶ Added “Fast File Now” feature to allow immediate filing access and reduced the number of user steps in the process.

This is the first of many upgrades in 2016 to Treasury’s operating systems.

Last year was just the start, we have developed a plan to build on our success in 2016

- I. Call Center process improvement
- II. Identifying / eliminating delays in processing returns that require additional taxpayer information
- III. Move to a paperless environment - limit snail mail
- IV. Single sign-on / password for employees
- V. Fix SAP
- VI. Develop robust employee engagement plan
- VII. Better use of metrics as a management and accountability tool

