



Real Time Tax Administration

A vision for more accurate and effective tax
administration

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The View From The States

- ▶ Most state income taxes are modeled after Federal returns and figures.
 - ▶ Improving return filing accuracy at Federal level automatically improves State tax administration.
 - ▶ Real time information would decrease:
 - Errors
 - Non-compliance and
 - Fraud schemes
 - ▶ Real time information would provide:
 - Cost savings to the States
 - Interest and penalty savings to taxpayers
 - Less aggravation to all
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Current Process “After The Fact”

IRS Program match of third party information (W-2, 1099s, etc.)

Approximately 18 months after return is filed

- IRS bills individual
- IRS sends states the discrepancy data

Annually, New York State bills:

- 160,000 taxpayers for \$160 million
- Nationwide that would translate to 1.5 million additional notices sent by other states to taxpayers each year

That's a lot of:

- Postage
- Staff Time
- Taxpayer time to find/remember their return from 1 ½ years ago

New York's Real Time Withholding Information Match

- ❖ Uses wage and withholding data filed with NYS
- ❖ Uses information real time

New York Refunds Denied due to Real Time Withholding Match	
<u>YEAR</u>	<u>DOLLARS SAVED</u>
2008	\$ 84 M
2009	\$ 95 M
2010	\$ 42 M
2011	\$ 38 M YTD

- ❖ System identifies discrepancy
- ❖ Information requests sent to taxpayer or employer
- ❖ Staff reviews information submitted

New York's Real Time Withholding Information Match

Benefits

- ▶ **Saves us from identifying that discrepancy later to issue a bill**
 - Reduces address change challenges
 - Collection rate close to 100%

 - ▶ **Early correction of taxpayer error:**
 - Ensures awareness, correction for current year
 - Accuracy in future years

 - ▶ **Fraud Schemes:**
 - Word on the street is that it is challenging to receive fraudulent refunds in NYS
 - BUT: Perpetrators have “moved on” to other tax jurisdictions
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- New York ROI: \$50 to \$1
 - Nationwide, states could expect similar results

New York's Real Time Processing EITC/DCC

- ▶ New York uses real time data and analytics
- ▶ Scores, selects and workflows questionable refund claims
- ▶ Also uses feedback of current year filings

New York's Savings	
<u>YEAR</u>	<u>DOLLARS SAVED</u>
2008	\$ 248 M
2009	\$ 300 M
2010	\$ 355 M
2011	\$ 400 M est.

Real Time Processing Even Better Results if.....

- ▶more focus is placed on verification of taxpayer identification information
 - name, address information
 - dependent information
 - date of birth/date of death
- ▶informational reporting due dates are changed to the beginning of the processing season
- ▶we partner with practitioners and software companies to move forward together
- ▶the States collaborate with the IRS

.....REAL TIME!