

# MAINE STATE LEGISLATURE

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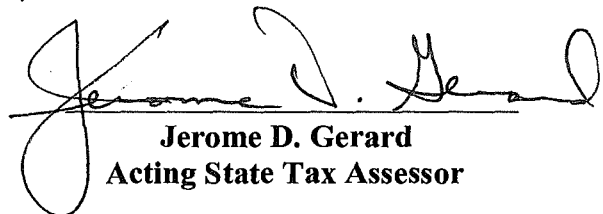


**Annual Bureau of Revenue Services Data Warehouse Cost and Revenue  
Report**

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

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

**December 30, 2010**

  
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Acting State Tax Assessor**

# **Annual Bureau of Revenue Services Data Warehouse Cost and Revenue Report**

## **1. Introduction**

Maine Revenue Services (“MRS”) is engaged in a systematic ongoing effort to identify and collect tax revenues legally due to the State through the Data Warehouse Collection Initiative (“DWCI” or “the program”). MRS has contracted with Revenue Solutions, Inc. (“RSI”) to develop the new data warehouse and discover new leads regarding income tax “non-filers” (individuals who are legally required to file tax returns but have not done so). RSI will utilize a propriety product called DiscoverTax to identify individuals with Maine-source income who filed neither a Maine nor a Federal individual income tax return. Pursuant to 36 MRSA §194, enacted during the First Regular Session of the 124<sup>th</sup> Legislature (Public Law 2009, chapter 213), the Secretary of State and all executive branch departments, boards and other State of Maine agencies are required to annually provide to MRS electronic data requested by the State Tax Assessor (the “Assessor”) to facilitate the DWCI. Section 194(3) also requires the Assessor to annually report to the Committees on Taxation and Appropriations and Financial Affairs the costs incurred in creating and maintaining, and the tax revenues collected by using, the DWCI.

## **2. Target and Actual Revenue**

Targets for gross revenue were derived from the bid proposal submitted by RSI based on its experience doing work of this type for other states. The target revenue figures are as follows:

FY 2010	\$ 900,000
FY 2011	\$ 9,434,526

As of the date of this report actual revenue generated is as follows:

FY 2010	\$ 0
FY 2011	\$ 661,892

The contractual maximum amounts to be paid to RSI are as follows:

FY 2010	\$ 163,000
FY 2011	\$ 1,350,000

As of the data of this report actual amount paid to RSI:

FY 2010	\$0
FY 2011	\$0

### **3. Methodology**

The State pays RSI a 25% commission on amounts defined by contract as “collections attributable to the DWCI,” up to an annual ceiling amount. The commission ceiling amount for FY2010 is \$163,000, and the ceiling amount for FY2011 is \$1,350,000. RSI receives commission credit on the “new revenue” actually collected from individual income tax non-filers who are identified by the DWCI prior to identification by the Department separate from the DWCI, as well as from certain individual income tax “intercepted” refunds. The collections attributable to the DWCI generated through the project so far has come from intercepting erroneous Maine Tax & Rent Refund Program claims and erroneous individual income tax refund claims. When sufficient money comes in through the non-filer program, RSI will be paid for the refund intercept program.

### **4. Timeline**

The project is behind schedule mainly due to the amount of time it took to negotiate the contract. It took six months longer than originally planned to reach mutually acceptable terms with RSI. Based on the progress made in the first half of FY2011, we are confident that we will increase DWCI revenue recovery at an accelerated pace through the remainder of this fiscal year, and that we eventually recover all “new revenue” budgeted for the data warehouse project.