

MAINE STATE LEGISLATURE

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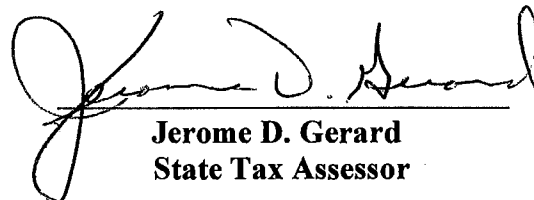


Maine Revenue Services
Data Warehouse Collection Initiative
Cost and Revenue Report

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

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

December 30, 2014


**Jerome D. Gerard
State Tax Assessor**

**Annual Bureau of 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**

December 30, 2014

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 and 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 propriety product called Portfolio Warehouse® (formerly called Discover Tax®) to target 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 4, 2014 actual revenue generated by the DWCI is 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 (July-Oct)	\$ 2,661,186	\$ 322,317	\$ 2,983,503

As of December 4, 2014 the actual amounts paid to RSI, pursuant to the DWCI 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	\$	0

Methodology

The State pays RSI a 25% commission on all qualifying revenue up to the following annual ceiling amounts: FY 2010: \$163,000; FY 2011 \$1,350,000; FY 2012 \$1,770,000; FY 2013 \$1,738,000; FY 2014 \$615,000 RSI receives credit for payment from revenue generation through the discovery of individual income tax non-filers and the revenue generated from intercepting erroneous individual income tax refunds.. These additional revenues would not have been realized without integration of the Portfolio Warehouse® product.

Notes

The project began in FY 2010; the first DTAX cases, however, were not generated until FY2011 (approximately July 2010). The time required to implement the project caused this initial delay. In addition, the normal lag time between the date of a tax assessment and the date that a collection action may begin (usually six months) also slowed project implementation.

The first of these non-filer cases began to generate actual collections during January, 2011. Collections have increased steadily over time and we expect that the current level of revenues generated through the DWCI will be maintained at roughly the same level for the foreseeable future. The overall project has, so far, generated revenue (through October 2014) of \$29.78 million; about 35% of this figure is attributable to stopping erroneous refunds, with the other 65% attributable to non-filer compliance programs.