

## **Department of Revenue Signs Contract for Phase Two of New Computer System**

*Monday, July 19, 2004*

The Montana Department of Revenue, in conjunction with the state's Chief Information Officer, has entered into a contract with Fast Enterprises to begin work on Phase II of the department's Integrated Revenue Information System (IRIS).

The second phase of IRIS will focus on two major areas. Administration of the state's corporation license tax and individual income tax will be migrated onto the vendor's GenTax software package. Implementation of a series of enhanced compliance tools provided by the vendor, including a data warehouse module and a discovery module, will help the department to improve taxpayer compliance.

Governor Judy Martz expressed her appreciation of the progress being made on the department's new computer system.

"I am very proud of the hard work in the Department of Revenue that has made this new computer system a reality," Governor Martz said. "Smooth and efficient tax tracking is a critical service that benefits every Montanan," she added.

Fast Enterprises was hired last August to begin work on the first phase of the new computer system. The Boise, Idaho-based company's product, called GenTax, is a proven administration solution designed specifically for government revenue agencies.

Under the new contract, the department will pay Fast Enterprises \$7 million to complete Phase II. Corporation license tax will be completed by January 31, 2005. Individual income tax and the compliance modules will be completed by September 30, 2005. The contract is effective July 1, 2004 to December 31, 2005.

The Phase II contract ensures that Fast Enterprises will be able to continue working on the project without interruption. The department estimates a cost savings of more than \$4 million by maintaining project continuity, keeping contractor staff in Helena, and signing a single contract to implement the two additional taxes and the compliance modules.

"By ensuring a smooth transition from Phase I to Phase II, the Department of Revenue will continue to serve Montana as effectively as possible," Governor Martz said.

The new compliance tools will assist the revenue department with audit selection, non-filer identification and skip tracing. These functions will aid the department in identifying persons or businesses, both in state and out-of-state, who should be filing but are not.

"Beyond the obvious question of fairness, we are pursuing a path that allows IRIS to help pay for itself through additional revenues from enhanced taxpayer compliance," said Acting Revenue Director Don Hoffman.

The department is pleased with the work accomplished by Fast Enterprises in the first phase of IRIS.

"Fast is delivering everything we asked, and much more. They know our business and they know how to implement this software in our environment," Hoffman said.

Under the Phase I contract, Fast has been working to install and adapt its GenTax software product for five Montana tax programs. Rental vehicle tax was implemented last September. Cigarette taxes and lodging facility taxes were implemented in March. Individual income tax withholding was implemented over the July 4<sup>th</sup> weekend. Combined oil and gas taxes will be completed by August 31, 2004.

All necessary taxpayer accounting and billing functionality has been operating as expected for the four tax types that have been implemented, said Hoffman.

"Successful implementation, particularly for the more complicated taxes, is a significant accomplishment. The data conversion for withholding tax, for example, involved transferring more than 54,000 employer accounts - including history, balances and pending payments - from the legacy system to GenTax. The cutover to the new system went very smoothly, with no data loss or corruption," said Hoffman.

Fast Enterprises is being paid \$8 million for Phase I.

IRIS was funded in the 2003 Legislative Session through Senate Bill 271. The bill, sponsored by Sen. Corey Stapleton, R-Billings, authorized the Department of Revenue to borrow up to \$17 million for a new computer system to replace the failed POINTS system. Future work on POINTS was halted in late 2002 due to ongoing defects in its operation.

Since the late 1990's, the Department of Revenue has sought an "integrated" computer system that will allow the department to track multiple taxes paid and/or owed by a single customer. In the past, the department relied on multiple systems, hindering compliance efforts as well as service to taxpayers. An integrated system that supports customer relationship management will allow the department to be more responsive to Montana taxpayers while helping ensure tax laws are applied fairly and consistently.

"Fast Enterprises has a proven product with a successful track record. This was a significant factor in our choice of GenTax. Using an existing solution has allowed us to accomplish a great deal in a short amount of time and at a very reasonable cost," Hoffman said.

"The software package is adapted to the unique aspects of each tax-collection agency, so we still get a solution that meets the needs of Montana. GenTax is working in Idaho, New Mexico, Louisiana and other places, so we knew it would work here."

A third phase of the IRIS project is still needed to convert some smaller tax types to IRIS and thereby allow the department to completely shut POINTS down.

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