



WASHINGTON STATE DEPARTMENT OF REVENUE

Strategic Business Plan

JULY 2010-2015

Working together to fund Washington's future



Table of Contents

Message from the Director 1

Executive Summary 2

GOALS

Make Conducting Business with the Department
Clear, Simple, and Efficient 4

Develop, Retain, and Value a High Quality, Diverse Workforce 10

Promote Correct and Timely Reporting and Payment of Taxes 15

Promote Fairness and Consistency in the Development
and Application of Tax Law 19

Promote Efficiency and Protect the Agency's Integrity 21

STRATEGIES INDEXED BY

Goal and Objective 26

Lead Division(s) 27



Message from the Director

I am pleased to submit the 2010-2015 Strategic Business Plan for the Department of Revenue. As our mission indicates, we are dedicated to fairly and efficiently collect revenues to fund essential public services. We are committed to carrying out our entrusted responsibilities in an open and collaborative environment that maximizes service delivery and achieves the highest level of voluntary compliance.

The current economic climate makes this a difficult time for all citizens in the state of Washington, including both individuals and businesses. The 2010 legislative session was eye opening in validating the vital role our agency plays in funding state services, including moving into uncharted territory such as implementing the Working Families Tax Credit Program. We remain committed to continuing to improve our services, reduce costs, and increase productivity. These are challenging times, and I'm proud of how our employees continually rise to the challenges we face through innovation and creativity.

This strategic plan builds upon that improvement philosophy to ensure we are continuing to focus on our vision. The five goals outlined in this plan serve several purposes:

- *Making the work of the agency more transparent and cost effective*
- *Preparing our staff to meet the demands of the future*
- *Focusing on new opportunities to increase voluntary compliance*
- *Advocating sound tax policy to make reporting easier and simpler for taxpayers*
- *Innovating to be more agile in responding to changing business needs*

Our success in accomplishing our objectives depends on our relationships with taxpayers, businesses, stakeholders, and employees. Our motto of "Working together to fund Washington's future" definitely comes to life in the work we do. It is critical that we listen and involve our stakeholders in preparing for the future so that we continue to meet customer needs, fulfill the public's expectations, and maintain a viable tax system by ensuring that all taxpayers pay their fair share.

I invite you to review the goals, objectives, and strategies that we have outlined for the next five years to achieve our vision and we value the continued partnership of the Governor, Legislature, business community, taxpayers, local governments, and others to make that happen.

Cindi Holmstrom

Cindi Holmstrom



AGENCY VISION

An open and collaborative environment that maximizes service delivery and achieves the highest levels of voluntary compliance.

Executive Summary

The still-struggling economy, coupled with significant changes to state law during the 2010 legislative session, will pose a number of challenges for the Washington State Department of Revenue over the next five years. Much of the new legislation is intended to improve state tax collections through a combination of court fixes, temporary and permanent tax increases, requiring certain out-of-state businesses to pay taxes for the first time, and denying questionable tax avoidance practices.

While we implement all these changes, the Department must continue to maintain the current high level of voluntary taxpayer compliance through education, enforcement, and ever-increasing efficiency. This becomes particularly important as businesses struggle to cope with the recession, and the state deals with the sharpest downturn in state revenues on record. Tax collections for the state General Fund fell 9.6 percent to \$14.2 billion during FY2009, and are forecast to decline to \$13.8 billion in FY2010 before recovering to FY2008 levels during FY2012.

The Department will play a key role in this recovery by ensuring businesses pay all taxes due while helping those that fall behind stay in business.

MISSION

To fairly and efficiently collect revenues and administer programs to fund public services, and advocate sound tax policy.

Working with the business community has paid off through the successful implementation during 2009 of a new reseller permit system. It replaced a frequently abused resale certificate program that was costing state and local governments more than \$100 million a year as businesses failed to pay sales tax on items they were buying for their own use rather than for resale. The Department worked with the business community to refine the new system.

Among significant policy changes is the creation of new minimum nexus standards that will require that out-of-state businesses providing services to Washington customers begin paying business and occupation taxes. The Department is gearing up to notify these companies of their new obligations, and how a change to a single-factor apportionment system will reduce taxes for in-state companies that sell services to customers in other states.

Another major change is legislative authority allowing the Department to disregard certain questionable tax avoidance practices that has grown in popularity over the years, and to work with the Legislature to study whether the Department should be granted additional authority to investigate and deny other abusive tax transactions. A third new legislatively directed task is the development of a system to pay working families a tax rebate beginning in 2012 if the Legislature decides to fund such a program.

VALUES

Open Communications

Listening and being clear and forth right in all communications to enhance understanding.

Cooperation

Working together to achieve Department goals.

Respect

Honoring diversity, recognizing individual contributions, and treating people with courtesy.

Integrity

Committing to honest and ethical behavior.

Professionalism

Demonstrating competence, resourcefulness, and the highest standards of conduct.

Accountability

Taking responsibility for our actions and performance.

Excellence

Working effectively in a supportive and fun work environment to achieve success.

The Department's 2010-2015 Plan focuses on five key goals:

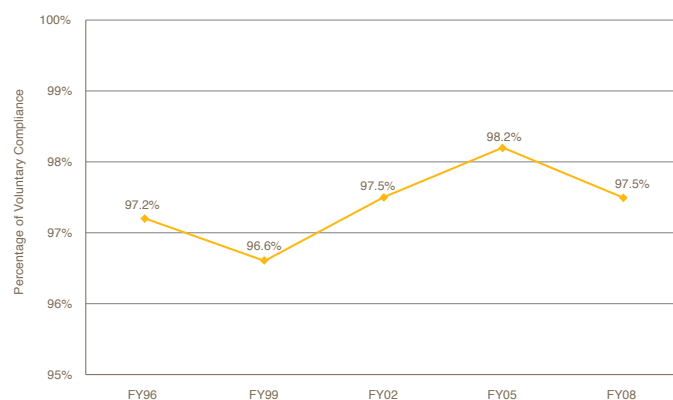
- *Make Conducting Business with the Department Clear, Simple, and Efficient*
- *Develop, Retain, and Value a High Quality, Diverse Workforce*
- *Promote Correct and Timely Reporting and Payment of Taxes*
- *Promote Fairness and Consistency in the Development and Application of Tax Law*
- *Promote Efficiency and Protect the Agency's Integrity*

This plan outlines 21 strategies the Department will employ in support of achieving these goals. Several of the strategies are continuations or enhancements of existing initiatives but some are also new.

By following the five goals and associated objectives and strategies outlined in this report, the Department can build on its successes and continue to administer the state's tax system with greater efficiency. In fact, it has been able to accommodate more than a doubling of registered businesses over the past 15 years and a near doubling of revenues with only a 3 percent increase in staffing.

Our 2010-2015 Strategic Business Plan will help us build upon our successes and improve our operations while staying focused on the challenges ahead.

VOLUNTARY COMPLIANCE RATE



GOAL 1

Make Conducting Business with the Department Clear, Simple, and Efficient

OBJECTIVE: Maintain flexibility in payment and reporting options

STRATEGY: Enhance taxpayer's ability to amend returns electronically

BACKGROUND:

The Department provides taxpayers the ability to electronically file and pay excise tax returns. Since the beginning of E-file, taxpayers could only file their tax returns online without the ability to make changes once submitted. In 2007, the Department began accepting refund requests, amended returns, and supplemental returns via secure messaging.

Taxpayers who do not use secure messaging must mail their revised excise tax return for manual processing. In refund situations, this delays when the taxpayer receives their refund.

Although the secure messaging is better than the mail-in option, both are awkward for taxpayers and the Department to use. The preferred option would be to provide taxpayers the ability to submit refund requests, amended returns, and supplemental returns via E-file.

EXPECTED RESULTS:

Enhancing the E-file application will give taxpayers the ability to file refund requests, amended returns, and supplemental returns in a secure and electronic environment and will result in:

- *A standardized format for information received*
- *More accurate and complete information submitted by taxpayers*
- *Reduction in staff review and document scanning time*
- *Automatic routing of items to staff work queues*

Taxpayers would also have the ability to submit an electronic payment when additional tax is due and receive their refund in a timely manner.



PARTICIPATING DIVISIONS:

Taxpayer Account
Administration (lead)

Audit

Business and Financial
Services

Compliance

Information Services

OBJECTIVE: Maintain flexibility in payment and reporting options

STRATEGY: Expand electronic payments to additional tax types and programs

BACKGROUND:

SSB 5571 mandated monthly taxpayers to file and pay their taxes electronically and the Department to improve the Automated Clearing House (ACH) process, which requires the expansion of electronic payment methodology to additional tax types and programs. Electronic filing decreases taxpayer errors and increases the agency's ability to efficiently process tax payments.

Currently, the agency only offers taxpayers the ability to electronically file and pay their excise tax returns. A portion of these taxpayers report and pay other tax types such as forest tax, leasehold tax, and the real estate excise tax. Taxpayers find it confusing when they have to use a different method to pay their other tax types.

The ACH process was improved and the infrastructure of the Electronic Payment Management System was scaled to accommodate acceptance and identification of all other tax types and fees. In order to provide taxpayers with additional electronic payment options for other taxes, all the special program tax applications and systems need to be revised.

EXPECTED RESULTS:

Electronic tax payment assures funds are received into the state's bank account quickly and provides improved internal controls.



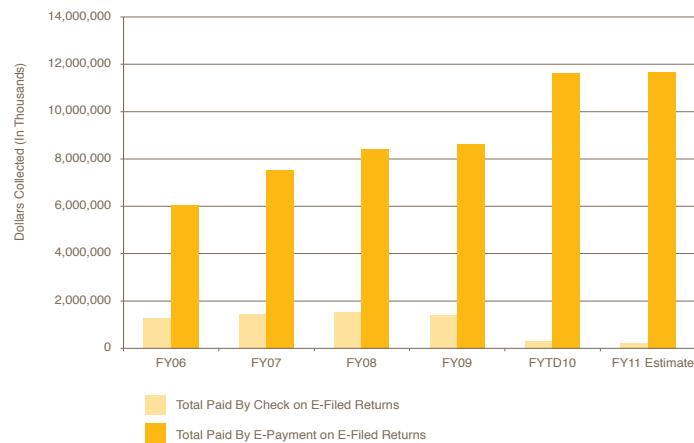
PARTICIPATING DIVISIONS:

Business and Financial Services (lead)

Information Services

Special Programs

NUMBER OF E-PAID RETURNS



OBJECTIVE: Improve accessibility, clarity, and efficiency of services

STRATEGY: Enhance the Geographic Information System (GIS) and Data Management System

BACKGROUND:

At this time, tax district property and district levy rate information is available for analysis in the statistical publication “Property Tax Statistics.” This publication requires extensive manual preparation by the Research division and does not provide the user with an ability to determine the overall tax rate on properties. Only the county assessor maintains the total tax rate and property characteristics by address and/or Parcel Identification Number.

Enhancing the Property Tax division’s Geographic Information System (GIS) and Data Management System to include a state-wide parcel system along with tax rates would provide taxpayers a way to search a statewide geo database by address and determine the levy rate and associated taxing district information.

Currently, each county assessor is responsible for providing tax rates and property assessments. Many counties provide this through a website lookup tool.

Since early 2007, a large group of state and federal agencies have been collecting and maintaining a statewide parcel map layer. This geo database includes parcels and many fields of associated data but it does not include tax rates or special assessments. Funding has come from different sources each year. The Department has the 2007 and 2009 versions of the geo database.

In order to successfully achieve this strategy, an ongoing effort will be required to contact counties, establish relationships, and either quarterly or annually collect the required GIS and database information from all county assessors.

EXPECTED RESULTS:

Developing a statewide property tax rate look-up application will provide:

- *Taxpayers a way to locate levy rates and overall tax rates by specific addresses*
- *The Property Tax division*
 - *Staff with the data necessary to assist taxpayers with questions about uniformity, consistency, and equality in property taxation issues*
 - *Cartographers with the ability to streamline their processes and increase the quality of city and tax district annexations updates*

Currently, the cartographers spend time making contacts and collecting the geo databases. These geo databases are in various formats and use different languages.

In addition, counties unable to provide this type of online service would be well served by and potentially pleased with this new application. It would reduce their assessor public assistance time.



PARTICIPATING DIVISIONS:

Property Tax (lead)

Information Services

Taxpayer Account Administration

Research

Special Programs

OBJECTIVE: Improve accessibility, clarity, and efficiency of services

STRATEGY: Implement E-Notification

BACKGROUND:

RCW 82.32.135, as amended by the 2009 legislative session, mandated the Department to send notices electronically to taxpayers and their authorized representatives. This will help the agency:

- Move forward in green technology
- Be more efficient in manual processing (print, package, and mail)
- Save money in reduced printing and mailing costs
- Meet the changing needs of customers
- Migrate to Secure Access Washington

EXPECTED RESULTS:

My Account and secure messaging will be used to notify taxpayers and their authorized representatives of credits, delinquencies, balances due, assessments, and other notices. The electronic notices will link to My Account where taxpayers can file their return, pay their assessment or balance due, or request a refund of their credit memo. Redundant paper processes will continue until Department and taxpayer confidence levels in electronic notification are exceeded for each notification type.



PARTICIPATING DIVISIONS:

Audit (lead)

Business and Financial Services

Compliance

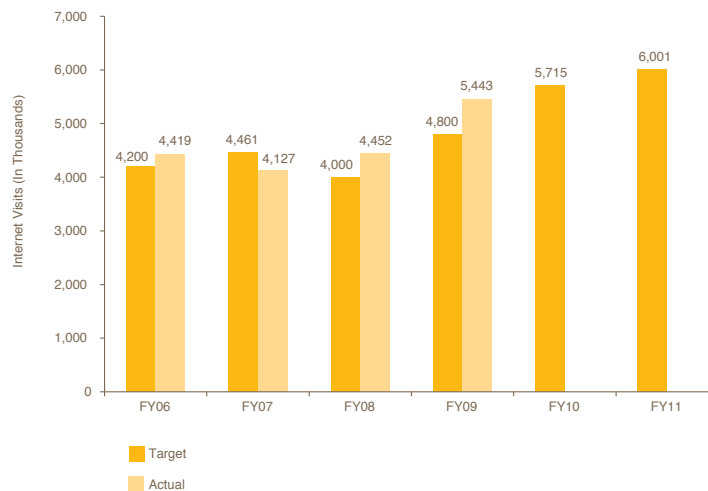
Information Services

Special Programs

Taxpayer Account Administration

Taxpayer Services

INCREASE THE NUMBER OF VISITS TO THE INTERNET SITE



OBJECTIVE: Improve accessibility, clarity, and efficiency of services

STRATEGY: Assess long-term service delivery and facility needs

BACKGROUND:

The Department has 19 offices, including offices in Thurston County, to provide customer service to taxpayers and stakeholders. Although not all offices are open to the public, field offices provide a variety of tax administration functions including field audit services, delinquent account collection activities, customer service centers, appeals, property tax field work, and forestry services.

Over the years, demographics and taxpayer preferences and behaviors have changed as technology evolves. There is also increasing pressure from the legislature and Office of Financial Management to evaluate how state government as a whole delivers services.

The Department needs to complete a comprehensive study to determine the optimal geographic locations of field offices that best serve taxpayer needs while being efficient and cost-effective with agency resources.

EXPECTED RESULTS:

Through the utilization of surveys, trend data, and benchmarking, a 10-year plan will be developed to help the Department optimize its customer service delivery with more efficient and cost-effective agency field office facilities. The plan will consider goals affected by field presence as well as statewide initiatives on leasing and facilities planning.



PARTICIPATING DIVISIONS:

Executive (lead)

Appeals

Audit

Business and Financial Services

Compliance

Information Services

Property Tax

Special Programs



PARTICIPATING DIVISIONS:

Information Services
(co-lead)

Taxpayer Account
Administration (co-lead)

Taxpayer Services
(co-lead)

Legislation and Policy

OBJECTIVE: Improve accessibility, clarity, and efficiency of services

STRATEGY: Enhance communications and service delivery with local governments

BACKGROUND:

To enhance communication with local governments, the Department established a Local Government Partnership Committee. The committee meets twice a year to discuss ongoing issues and gather input from its partners on how to provide services to meet local government needs.

The State of Washington moved to a destination based sales tax on July 1, 2008. Part of this change in sourcing of local tax was to mitigate the negative impact to jurisdictions that experience a net loss due to the change in sourcing. The Department created a Mitigation Advisory Committee to help ease the hardship by discussing issues that arose with determining how to issue the mitigation payments.

In addition, a local government website was created to centralize information about local taxes administered by the Department and streamline contacts.

EXPECTED RESULTS:

The Department will continue to improve communications with local government partners. The Local Government Partnership Committee will continue to meet semiannually to discuss ongoing issues and provide discussions on how to improve service delivery to the locals.

As long as mitigation payments continue to be funded by the legislature, the Department will continue the Mitigation Advisory meetings to provide a venue for the participating local governments to bring forward concerns and issues that may arise with agency calculations and payment methods.

The Department will also continue to enhance the local government website with the most accurate, relevant, and timely information on issues that affect local jurisdictions.

The Department will work on creating a secure environment where the local jurisdictions can receive their distribution reports online and other information requiring secure transmission. New online solutions and applications will be explored.

PERFORMANCE MEASURES

- Increase the percent of monthly returns filed accurately
- Answer incoming calls receiving personal assistance within one minute
- The percentage of taxpayers surveyed each month who are satisfied with automated or personal telephone assistance
- Provide answers to written requests within 10 days
- The number of e-paid returns
- The number of e-filed returns
- The number of visits to the Internet site

GOAL 2

Develop, Retain, and Value a High Quality, Diverse Workforce

OBJECTIVE: Increase employee's knowledge, skills, and abilities in support of the Department's mission

STRATEGY: Develop a comprehensive framework for employee development and succession management

BACKGROUND:

Washington State demographic trends point toward increasing retirement rates among experienced, professional employees. This trend emphasizes the need to invest in employee development and provide tools and resources for succession planning. The Department's 2009 Employee Satisfaction Survey (ESS) revealed that employees are seeking defined career paths and career development materials so they can be prepared and competitive for future promotional opportunities.

Turnover, especially from retirements, affects the agency's knowledge base. In addition to the ESS and the Washington State demographics information, agency data shows that 41 percent of the Department's senior leaders and managers will be eligible to retire within five years. This highlights the importance of cross training, mentoring, career development, and transfer of critical agency knowledge. More than half of the agency's divisions have identified succession planning, leadership development, career development, and/or training as a division-level priority.

EXPECTED RESULTS:

The following steps will be taken to improve training, career development, and succession planning efforts:

- *Compile and map the training plans and programs at the division and agency levels to:*
 - *Identify overlap and redundancy*
 - *Identify opportunities to build efficiency and cost savings*
 - *Recommend program improvements*
- *Build a Succession Planning site on the Intranet to potentially include:*
 - *Learning and career development opportunities*
 - *Leadership competencies*
 - *Succession planning tools*
- *Conduct a pilot program to test Succession Planning tools for key positions in the agency*



PARTICIPATING DIVISIONS:

Human Resources (lead)

All other divisions participating



PARTICIPATING DIVISIONS:

Business and Financial Services (lead)

Human Resources

Audit

Information Services

Special Programs

Taxpayer Account Administration

OBJECTIVE: Maintain a safe, healthy, diverse and adaptable work environment

STRATEGY: Improve agency emergency preparedness

BACKGROUND:

Washington State is vulnerable to many natural and manmade hazards. In order to minimize the impacts from emergencies and disaster, it is important to have a comprehensive, institutionalized approach to mitigate, prepare, respond, and recover from incidents.

The Department has begun to establish a comprehensive all hazards approach, while updating emergency operations plans and standard operating procedures.

- *In December 2007, the Department produced a Continuity of Operations Plan (COOP) to establish procedures to be used to restore mission critical functions within a pre-established time period.*
- *In September 2009, the Employee Emergency Reference Guide was produced and distributed to all employees.*

Although the Department has been working on improving its emergency preparedness, there are still key elements that need to be completed in order to institutionalize emergency preparedness concepts.

Planning, training, and exercises are critical components to emergency preparedness. Without it, the Department runs the risk of delayed recovery and increased impacts caused by a disaster.

EXPECTED RESULTS:

The goal is to establish a comprehensive, all hazards approach to incident response to minimize the impacts of emergencies and disasters to the agency. This will be accomplished through:

- *Finalizing roles and responsibilities*
- *Establishing Standard Operating Procedures (SOP) for the command center*
- *Reviewing the current location of the command center and solidify a select future location if necessary*
- *Determining back-up location*
- *Identifying equipment and supplies needed for the command center*
- *Updating building emergency operations plans*
- *Providing emergency lockers and supplies at headquarter locations*
- *Conducting trainings, drill, tabletops, and exercises throughout the agency*

Enhance the Department's emergency preparedness by planning, training, and exercises. This will ensure the agency is prepared to respond to major emergencies, recover from them, and mitigate against their impacts.

OBJECTIVE: Maintain a safe, healthy, diverse and adaptable work environment

STRATEGY: Address agency and division-level priorities identified in the Employee Satisfaction Survey

BACKGROUND:

The Department has conducted the biennial Employee Satisfaction Survey (ESS) for 22 years. This program includes extensive data analysis of survey results, Employee Feedback Sessions to prioritize improvement efforts, and the implementation of division and agency action plans. Traditionally, there has been central coordination of the survey and feedback sessions. This strategy incorporates accountability for the implementation of action plans.

In the 2009 ESS, 71 percent of employees and 81 percent of supervisors and managers agreed that “the Employee Satisfaction Survey and Employee Feedback Sessions are a basis for improvements.” To bridge this gap, the Department will provide more communication about the ESS program, particularly during the implementation phase. It also includes regular management review of results because, in the words of management guru Peter Drucker, “what gets measured gets done.”

EXPECTED RESULTS:

To safeguard the credibility of the ESS program, the Department will monitor the progress towards the implementation of division and agency improvement action plans and communicate the results. This strategy adds transparency to improvement efforts that already occur as a component of Revenue’s Quality Management Model. Therefore, no additional implementation work is required, only the measurement and communication of progress.



PARTICIPATING DIVISIONS:

Executive (lead)

All other divisions participating

In FY09, 80.7 percent of employees who responded to the statement “My agency consistently demonstrates support for a diverse workforce” answered always or usually.

~ Statewide Climate Survey

OBJECTIVE: Maintain a safe, healthy, diverse and adaptable work environment

STRATEGY: Implement diversity program

BACKGROUND:

Diversity enhances innovation, creativity, and optimal customer service experiences. The Department values diversity as a barrier-free and all inclusive way of doing business. A diverse workforce benefits the agency and its customers by:

- *Improving an organization's ability to achieve agency goals by integrating diverse perspectives*
- *Providing a more competent workforce that exhibits different approaches to problem solving*
- *Providing excellence in customer service by offering a diverse workforce that meets the needs of an equally diverse and growing customer base*
- *Yielding cost savings by fostering a more engaged and productive workforce*
- *Resulting in more efficient and effective public service over the long term*

To achieve the current levels of diversity, the Department has cultivated a work environment that values and promotes cross-cultural respect, understanding, and inclusion. The diversity strategies in past agency Strategic Business Plans established a programmatic framework, performance measures, and recommendations. From this foundation, the Department will broaden its workforce diversity profile through a concerted program of recruitment, retention, outreach, and collaboration efforts.

EXPECTED RESULTS:

The Department will develop and implement a systemic program that will increase the diversity of the next generation of the Department's workforce and support long-term retention of employees by:

- *Creating a committee to address diversity and cultural competency needs*
- *Developing more robust diversity training*
- *Enhancing recruitment outreach*
- *Conducting a baseline assessment of the agency's cultural competency*

Program activities may include:

- *Utilizing the existing relationships between employees and community organizations to increase recruitment outreach efforts*
- *Researching best practices for hiring tools and guidelines*
- *Create a diversity newsletter and articles for internal publication*
- *Recommending new diversity metrics and program assessments, including Employee Satisfaction Survey questions about diversity*
- *Addressing gaps revealed in the cultural competency assessment*
- *Conducting diversity recognition events to increase cultural awareness*



PARTICIPATING DIVISIONS:

Human Resources (lead)

All other divisions participating

PERFORMANCE MEASURES

- *All employee evaluations and individual development plans submitted by the due date*
 - *Maintain an agency turnover rate at or below 12 percent*
 - *Learning Activity Evaluations – Rating of course content as useful and relevant (scale of 1 to 5)*
 - *Statewide Climate Survey – My agency consistently demonstrates support for a diverse workforce*
 - *Percent of workforce that is diverse*
 - *Statewide Climate Survey – My supervisor treats me with dignity and respect*
 - *Improve safety score*
 - *Maintain an accident free rate of 98 percent or above*
 - *Percentage of employees completing the Health Risk Assessment*
 - *Employee Satisfaction Survey (ESS) – How satisfied you are with work/life balance in your work setting*
-



In FY09, 85 percent of employees who responded to the question “How satisfied are you with work/life balance in your work settings?” answered satisfied or somewhat satisfied.

~ Employee Satisfaction Survey

GOAL 3

Promote Correct and Timely Reporting and Payment of Taxes

OBJECTIVE: Enhance programs to encourage voluntary registration and payment, and increase accuracy in reporting

STRATEGY: Implement new tax laws to timely achieve legislative goals

BACKGROUND:

Effective implementation of significant new legislation requires agencywide coordination. It is important that new legislation with broad impact and those representing a major policy change are implemented with executive oversight. For uniformity and consistency, agency staff providing assistance and instruction to taxpayers must also be part of implementing changes.

The outcome of the 2010 legislative session makes this strategy particularly important due to the significant resources needed to implement:

- 2ESSB 6143 - Economic nexus; curtailing tax avoidance transactions; taxation of candy/bottled water; carbonated beverages
- Working Family Tax Credit
- Joint Tax Avoidance Review Committee

Heading into the 2011 legislative session, the state of the economy and anticipated future revenue shortfall will also make strategic implementation a high priority.

EXPECTED RESULTS:

The Department will implement legislation according to legislative intent, and inform impacted businesses of changes prior to effective dates so they can:

- Understand and comply with new tax reporting/payment obligations
- Modify their billing and accounting systems, including programming for automated systems
- Educate their employees and customers

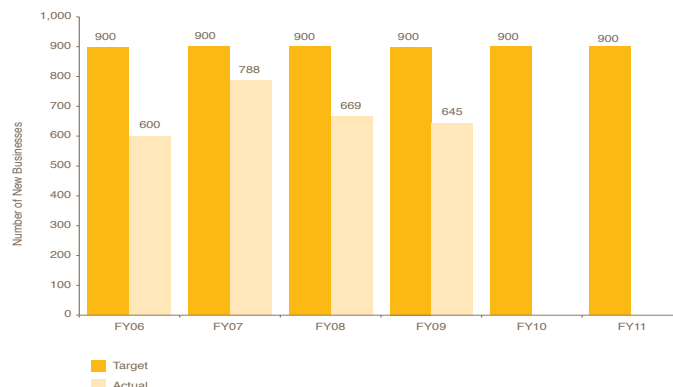


PARTICIPATING DIVISIONS:

Legislation and Policy (lead)

All other divisions participating

NEW BUSINESS REGISTERED BY TAX DISCOVERY



OBJECTIVE: Enhance programs to encourage voluntary registration and payment, and increase accuracy in reporting

STRATEGY: Provide education and information to help taxpayers file accurately

BACKGROUND:

The state's tax system relies on businesses to voluntarily report and pay their taxes. The Department promotes voluntary compliance through information and education because it is the most efficient and cost-effective way to reach high levels of voluntary compliance.

The Department has a solid education and outreach program dedicated to providing taxpayers with the information they need to timely and accurately pay their taxes. A variety of tools and services are used to promote taxpayer education.

EXPECTED RESULTS:

The Department will continue to work on enhancing its education and outreach program dedicated to providing taxpayers with the information they need to timely and accurately pay their taxes. Utilizing user-centered design methodologies, the agency will continue to enhance and promote a variety of user-centered tools and services to promote taxpayer education, including:

- *A comprehensive and searchable website with information on tax law, rates, and reporting obligations for new and existing businesses*
- *In-person workshops focused on new businesses, various industries, tax law changes*
- *Online, interactive workshops and tutorials*
- *Toll-free telephone information line*
- *Binding letter rulings*
- *Multilingual outreach*
- *Targeted education*
- *Publications*

OUTREACH TO NEW AND SMALL BUSINESSES

In a collaborative effort with other state agencies and small business support organizations, the Department will work towards identifying and providing the right resources to assist and address the specific needs of small businesses that make it easier for them to succeed in Washington. Additionally, the Department will look to find ways to give new businesses tax reporting information specific to their business activity when they register in an attempt to help them get started on the right foot with their tax reporting obligations.

TECHNOLOGY

The Department continues to explore ways to expand its reach to an ever-evolving technical society. This includes exploring live chatting, social networking tools, short informational video clips, interactive videos, and advanced surveying tools.



PARTICIPATING DIVISIONS:

Taxpayer Services (lead)

Information Services

Taxpayer Account Administration

OBJECTIVE: Identify and reduce non-compliance

STRATEGY: Implement delinquent account management efficiencies

BACKGROUND:

The Department's delinquent account collection processes, activities, and systems were mostly developed in 1993. Its Automated Compliance System (ACS) is one of the oldest systems currently being utilized. While changes have occurred over time, efforts to review processes and systems for efficiencies and improvements must increase. An overall systemic review of how delinquent accounts are collected, industry best practices, and technological options, will provide insight and direction on changes needed.

Business process improvements and technological upgrades are manageable internally. Efficiencies will allow for better management of workloads, the opportunity to pursue predictive modeling, and new data to make better management decisions.

Risks for not proceeding include ACS being written in COBOL, an old programming language, which has been patched over the years and has become brittle and difficult to maintain. Collection industry best practices are also changing at a rapid rate, which could affect the Department's ability to carry out its mission.

EXPECTED RESULTS:

The Department will implement this strategy by:

- *Developing and implementing a project plan that addresses processes and technology*
- *Utilizing expertise in IT and business unit resources to produce requirements and results*



PARTICIPATING DIVISIONS:

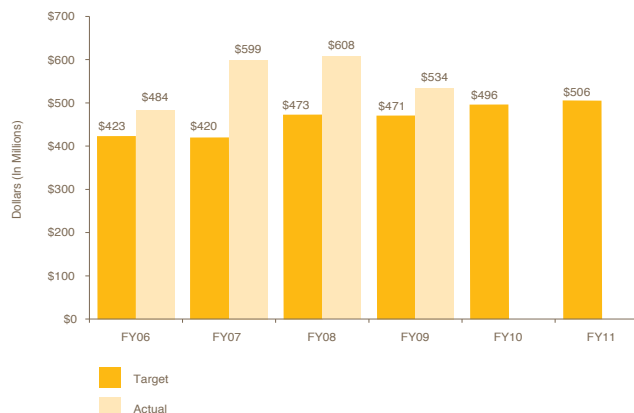
Compliance (lead)

Information Services

Taxpayer Account Administration

Special Programs

ENFORCEMENT COLLECTIONS



OBJECTIVE: Identify and reduce non-compliance

STRATEGY: Integrating data to close the tax gap and address the underground economy

BACKGROUND:

These efforts are essential to protect the state's interest:

- *Help level the playing field for registered businesses who are paying their taxes*
- *Guide enforcement efforts to reduce the underground economy and tax avoidance by:*
 - *Utilizing internal and external data*
 - *Expanding usage of the data warehouse*

EXPECTED RESULTS:

The Department will implement this strategy by:

- *Managing, integrating, and analyzing data to include research tools, identification of non-compliant businesses and individuals, ad hoc reporting, and predictive modeling*
- *Working proactively and cooperatively with Labor and Industries, Employment Security Department, and other governmental entities to foster cross-agency data sharing and referrals*

PERFORMANCE MEASURES

- *Total number of businesses registered through tax discovery*
- *Percentage of monthly returns filed timely*
- *Enforcement collections*
- *Percent of monthly returns filed accurately*
- *Percentage of active taxpayer accounts contacted by Audit*
- *Voluntary compliance rate of tax reporting*



PARTICIPATING DIVISIONS:

Audit (co-lead)

Compliance (co-lead)

Information Services

Research

Special Programs

Taxpayer Account Administration

GOAL 4

Promote Fairness and Consistency in the Development and Application of Tax Law

OBJECTIVE: Improve the tax policy resolution process

STRATEGY: Evaluate current processes used to resolve tax policy issues and positions

BACKGROUND:

Activities that raise tax policy issues:

- *Audit findings and questions raised during audits*
- *Challenges to corrections made to reporting errors on tax returns*
- *Letter ruling requests*
- *Contacts resulting from targeted education programs*
- *Stakeholder input during legislative development*
- *Taxpayer appeals of Department actions*

The majority of issues are resolved through:

- *Routine divisional processes*
- *Interpretations and Technical Advice and executive leadership decisions*
- *The formal appeal process*

EXPECTED RESULTS:

The Department’s ability to efficiently resolve unsettled policy questions and to continuously improve fairness and consistency throughout the agency in the development and application of tax law requires the agency to:

- *Identify and evaluate all internal processes used to resolve policy questions*
- *Evaluate how and when agency decisions are communicated*
- *Recommend and implement improvements to the extent there are gaps or redundancies*

This strategy will include:

- *Engaging the Department’s Interdivisional Group in dialogue regarding tax issues*
- *Coordinating Executive Team decisions on Hot Issues with implementation activities*
- *Using the Department’s Organizational Performance Board to guide the efforts to improve the Department’s tax policy issue resolution process*

The Department expects to reduce the time it takes to establish its position on tax policy issues and increase the number of tax policy positions established in the same time frame. The Department’s internal communication about tax policy decisions and the coordination of activities required to implement decisions is also anticipated to improve.



PARTICIPATING DIVISIONS:

Interpretation and Technical Advice (co-lead)

Legislation and Policy (co-lead)

Appeals

Audit

Compliance

Executive

Property Tax

Special Programs

Taxpayer Account Administration

Taxpayer Services

OBJECTIVE: Improve communications of tax interpretations

STRATEGY: Identify electronic methods to allow customers to get information they need

BACKGROUND:

Over time, tax policy has become increasingly complex. As a result, the Department is experiencing consistency and timeliness issues in communicating tax policy within the agency and to taxpayers. There are numerous sources of information developed by the agency that is available to staff and the public, which include:

- *Excise Tax Advisories*
- *Property Tax Advisories*
- *Washington Tax Decisions*
- *Industry Guides*
- *Legislative Updates*
- *Special Notices*
- *Tax Reference Manuals*

Making this information easily accessible has been a continuous challenge for the Department.

The dynamic nature of tax policy and administration results in continual change that requires notification to taxpayers and agency staff located across the state and throughout the country. Failure to communicate change in a timely manner increases the possibility of inconsistent administration of taxes potentially resulting in disparate treatment of taxpayers.

EXPECTED RESULTS:

The Department's ability to efficiently resolve policy questions and to continuously improve fairness and consistency throughout the agency in the development and application of tax law requires the agency to:

- *Assess how existing information is made available; e.g., indexing of sources and methods of distribution and availability*
- *Develop recommendations and options for improving the distribution so it is more intuitive to the user*
- *Develop a process where interested parties can retrieve information on specific topics as available, like RSS feeds*

PERFORMANCE MEASURES

- *Number of tax policy resolution processes evaluated*
- *Taxpayer Satisfaction Survey (TSS) – General Satisfaction*
- *Taxpayer Satisfaction Survey (TSS) – Satisfaction with electronic methods available to retrieve information*



PARTICIPATING DIVISIONS:

Interpretation and Technical Advice (co-lead)

Taxpayer Services (co-lead)

Appeals

Audit

Compliance

Legislation and Policy

Property Tax

Special Programs

Taxpayer Account Administration

GOAL 5

Promote Efficiency and Protect the Agency's Integrity

OBJECTIVE: Encourage innovation to improve business processes

STRATEGY: Engage the Organizational Performance Board in guiding improvements

BACKGROUND:

Department leaders face ever increasing pressure to respond to change. The state budget is stretched thin, technology is constantly transforming business processes, and citizens expect more involvement, accountability, and performance from the Department. When improvement efforts are piecemeal, even well executed efforts may not help meet the needs of employees, customers, and stakeholders. Responding effectively to these pressures requires the Department to develop an infrastructure for systematic and continuous performance improvement.

EXPECTED RESULTS:

The Department's Organizational Performance Board (OPB) will provide the infrastructure for the systematic and continuous improvement of performance in collecting revenue. The OPB will guide and coordinate the Department's improvement efforts by linking improvement ideas with gaps in results to ensure that improvement projects deliver measurable results. The OPB will apply proven whole organization systems analysis methodologies to ensure sound conclusions about both the problem identified and the improvement solution proposed. The Department expects to improve voluntary and enforcement revenue collections, as well as the processes that support those collections.

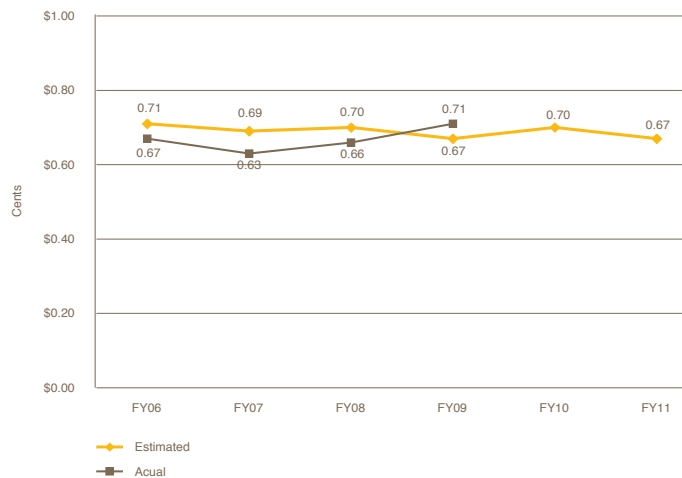


PARTICIPATING DIVISIONS:

Executive (lead)

All other divisions participating

DEPARTMENT'S COST OF COLLECTING REVENUE PER \$100 COLLECTED



OBJECTIVE: Encourage innovation to improve business processes

STRATEGY: Develop systems to manage agency electronic records

BACKGROUND:

The Department must continue efforts to develop effective and efficient methods to preserve, search, retrieve, and dispose of the agency's electronic records. The first area of focus will be on managing e-mail records by implementing an archiving application for e-mail records and enhanced search and retrieve tools. The next phase will be the electronic data stored on shared drives.

The agency is required to search for and produce all existing, relevant electronic records (e-records) in response to public records disclosure requests or discovery requests.

To effectively manage and facilitate access to agency information, the Department needs to develop new approaches to satisfy and streamline public records and litigation discovery search, review, and production.

Managing electronic records with new technology, combined with retention and retrieval education, will produce consistent, complete, timely, and cost-effective responses to requests. This will significantly reduce the risk of adverse litigation outcomes, public records disclosure penalties, sanctions, and attorney fees due to incomplete e-records production.

EXPECTED RESULTS:

The Department will initiate a phased migration of agency e-records into archive storage, beginning with e-mail, and expanding to SharePoint and File Shares. The benefits of this solution are:

- *Comprehensive searches of multiple mailboxes and file shares through a centralized, indexed storage and sophisticated discovery software*
- *The elimination of unnecessary and costly reviews of non-responsive records*
- *Consistent search, review, production, and action documentation of electronic records agencywide*
- *The burden of document review and production being shifted away from agency staff with key agency roles in analysis, legislation, and policy development*
- *Better search results and reduced storage requirements due to better management of actual and near duplicates through Single Instance Storage*
- *Improved user experience and less file corruption caused by oversized mailboxes*
- *Reduced legal risks due to the:*
 - *Elimination of .pst files*
 - *Preservation of records in accordance with the applicable records retention schedules*



PARTICIPATING DIVISIONS:

Taxpayer Services (lead)

Information Services

OBJECTIVE: Proactively identify, assess, and manage risk

STRATEGY: Incorporate Enterprise Risk Management into business practices

BACKGROUND:

Comprehensively managing risks through corporate governance is continuing to become increasingly important, particularly at the Department where billions of dollars are collected annually. Organizations, whether public or private, are under pressure to identify and manage business risks.

Managing risk at the enterprise level is a focus of the Gregoire administration and has statewide oversight for state government agencies through the Office of Financial Management. State agency progress toward achieving a high level of maturity in Enterprise Risk Management (ERM) is tracked through the Governor's Government Management Accountability and Performance effort.

ERM is linked to the achievement of a department's goals and objectives and provides a disciplined approach to identify, evaluate, and prioritize risks and provides tools to help manage those risks.

EXPECTED RESULTS:

While the Department has made progress in establishing an ERM approach from its first Strategic Business Plan initiative, this next phase focuses on integrating ERM into the agency's culture and business practices. This will help ensure the Department enhances its business performance and achieves its strategic, operations, reporting, compliance, and human resources objectives.

By strategically managing risk, the Department can further reduce the chance of loss, protect state resources, and preserve the public's trust and confidence. In this phase, the ERM Steering Committee will focus on:

- *Completing a comprehensive guide to risk assessments for agency managers*
- *Completing divisional risk assessments to evaluate internal control design and identify top agency risks*
- *Establishing an agencywide risk inventory or register to proactively manage the Department's highest risks through action planning*
- *Aligning ERM efforts with internal control and internal audit functions*
- *Deploying training tools and resources to educate all staff in ERM principles*

In FY09, 77 percent of employees responding agreed with the statement "I am encouraged to provide improvement ideas."

~ Employee Satisfaction Survey



PARTICIPATING DIVISIONS:

Executive (lead)

All other divisions participating

OBJECTIVE: Proactively identify, assess, and manage risk

STRATEGY: Study information technology modernization needs

BACKGROUND:

The Department depends on COBOL-based systems for its mission critical tax core processes. These systems are the backbone of daily operations and have evolved over the years with every regulatory and legislative change.

As technology continues to advance, the Department must consider if modernizing these legacy systems is a viable option. To minimize risk, the agency needs to address concerns about the ability to retain and recruit information technology professionals proficient in COBOL. In addition, the Department must meet user expectations by providing capabilities that have more desirable features and an ease of use that is not available on most of the COBOL applications in production.

EXPECTED RESULTS:

Integrating modern technologies is no simple feat. The agency will carefully evaluate the following alternatives of modernizing existing COBOL applications:

- *Re-hosting by wrapping a modern technology layer around the existing platform*
- *Retire and replace*
- *Modernize and migrate*

Conducting a feasibility study would provide the agency with information necessary to determine the approach needed to consider risks, efficiency gains, and cost to implement.



PARTICIPATING DIVISIONS:

Information Services (lead)

Audit

Business and Financial Services

Compliance

Special Programs

Taxpayer Account Administration

OBJECTIVE: Proactively identify, assess, and manage risk

STRATEGY: Assess and implement Information Services Board security standards

BACKGROUND:

During 2009, the Information Services Board adopted new Information Technology Security Standards. The standards are sound and set a good target for the state. Overall, they represent a major update designed to address the increasing IT threats that have emerged in recent years, and place a heavier emphasis on security practices with a focus on infrastructure, applications, and data. Agencies are required to document instances of non-compliance beginning no later than August 2010, meet standards for new initiatives, and achieve full compliance by August 2012.

EXPECTED RESULTS:

The Department must complete an assessment of implementation impacts for each section of the new security standards. This assessment must document where the agency is in compliance, and prioritize instances of non-compliance and develop solutions. In order to implement the standards, each core business function will be identified assessing overall risks and taking into consideration estimated expenditures and impact on personnel. The agency must achieve full compliance by 2012.

PERFORMANCE MEASURES

- *Employee Satisfaction Survey (ESS) – I am encouraged to provide improvements ideas*
- *Respond to 100 percent of records requests within five days*
- *OFM Enterprise Risk Management maturity assessment level*
- *Cents per \$100 collected*



PARTICIPATING DIVISIONS:

Information Services
(lead)

Executive

Strategies Indexed by Goal and Objective

GOALS	OBJECTIVES	STRATEGIES
Make Conducting Business with the Department Clear, Simple, and Efficient	Maintain flexibility in payment and reporting options	<ul style="list-style-type: none"> • Enhance taxpayer's ability to amend returns electronically • Expand electronic payments to additional tax types and programs
	Improve accessibility, clarity, and efficiency of services	<ul style="list-style-type: none"> • Enhance the Geographic Information System and Data Management System • Implement E-Notification • Assess long-term service delivery and facility needs • Enhance communications and service delivery with local governments
Develop, Retain, and Value a High Quality, Diverse Workforce	Increase employee's knowledge, skills and abilities in support of the Department's mission	<ul style="list-style-type: none"> • Develop a comprehensive framework for employee development and succession management
	Maintain a safe, healthy, and adaptable work environment	<ul style="list-style-type: none"> • Improve agency emergency preparedness • Address agency and division-level priorities issues identified in the Employee Satisfaction Survey • Implement diversity program
Promote Correct and Timely Reporting and Payment of Taxes	Enhance programs to encourage voluntary registration and payment, and increase accuracy in reporting	<ul style="list-style-type: none"> • Implement new tax laws to timely achieve legislative goals • Provide education and information to help taxpayers file accurately
	Identify and reduce non-compliance	<ul style="list-style-type: none"> • Implement delinquent account management efficiencies • Integrating data to close the tax gap and address the underground economy
Promote Fairness and Consistency in the Development and Application of Tax Law	Improve the tax policy resolution process	<ul style="list-style-type: none"> • Evaluate current processes used to resolve tax policy issues and positions
	Improve communications of tax interpretations	<ul style="list-style-type: none"> • Identify electronic methods to allow customers to get information they need
Promote Efficiency and Protect the Agency's Integrity	Encourage innovation to improve business processes	<ul style="list-style-type: none"> • Engage the Organizational Performance Board in guiding improvements • Develop systems to manage agency electronic records
	Proactively identify, assess, and manage risk	<ul style="list-style-type: none"> • Incorporate Enterprise Risk Management into business practices • Study information technology modernization needs • Assess and implement Information Services Board security standards

Strategies Indexed by Lead Division(s)

DIVISION	STRATEGIES
Audit	<ul style="list-style-type: none"> • <i>Implement E-Notification</i> • <i>Integrating data to close the tax gap and address the underground economy*</i>
Business and Financial Services	<ul style="list-style-type: none"> • <i>Expand electronic payments to additional tax types and programs</i> • <i>Improve agency emergency preparedness</i>
Compliance	<ul style="list-style-type: none"> • <i>Implement delinquent account management efficiencies</i> • <i>Integrating data to close the tax gap and address the underground economy*</i>
Executive	<ul style="list-style-type: none"> • <i>Assess long-term service delivery and facility needs</i> • <i>Address agency and division-level priorities identified in the Employee Satisfaction Survey</i> • <i>Engage the Organizational Performance Board in guiding improvements</i> • <i>Incorporate Enterprise Risk Management into business practices</i>
Human Resources	<ul style="list-style-type: none"> • <i>Develop a comprehensive framework for employee development and succession management</i> • <i>Implement diversity program</i>
Information Services	<ul style="list-style-type: none"> • <i>Enhance communications and service delivery with local governments*</i> • <i>Study information technology modernization needs</i> • <i>Assess and implement Information Services Board security standards</i>
Interpretations and Technical Advice	<ul style="list-style-type: none"> • <i>Evaluate current processes used to resolve tax policy issues and positions*</i> • <i>Identify electronic methods to allow customers to get information they need*</i>
Legislation and Policy	<ul style="list-style-type: none"> • <i>Evaluate current processes used to resolve tax policy issues and positions*</i> • <i>Implement new tax laws to timely achieve legislative goals</i>
Property Tax	<ul style="list-style-type: none"> • <i>Enhance the Geographic Information System and Data Management System</i>
Taxpayer Account Administration	<ul style="list-style-type: none"> • <i>Enhance taxpayer's ability to amend returns electronically</i> • <i>Enhance communications and service delivery with local governments*</i>
Taxpayer Services	<ul style="list-style-type: none"> • <i>Enhance communications and service delivery with local governments*</i> • <i>Provide education and information to help taxpayers file accurately</i> • <i>Identify electronic methods to allow customers to get information they need*</i> • <i>Develop systems to manage agency electronic records</i>

NOTE: * Shared with a co-lead