

# Strategic Business Plan

*July 2014 - June 2019*

*Working together to fund Washington's future*



## Customer Service Principles

*The Department of Revenue employees are committed to providing exceptional customer service. In addition to treating our customers with respect, we will provide:*

- ▶ *Timely response to requests by acknowledging
  - ▶ *phone calls and email by the next business day*
  - ▶ *correspondence within 10 business days**
- ▶ *Accurate information from knowledgeable, professional employees*
- ▶ *Accessible and clear information*
- ▶ *Fair and equitable treatment*
- ▶ *Continuous improvement of services*



## Message from the Director

*These are exciting times for the Department of Revenue. We have reinvigorated our attention to customer-focused service. We are increasing the transparency of our decisions to demonstrate fair and consistent tax administration. Using Lean principles, we are becoming more efficient and effective in our work. We employ a talented, professional workforce. And we believe that growing our culture of respect will make Revenue stand out as an employer of choice.*

*Along with the excitement comes anticipation. Our biggest challenge during this next strategic planning period is a comprehensive six-year overhaul of our tax and licensing computer systems.*

*These systems are critical to the collection of billions of dollars of state and local tax revenue each year. Originally built in the 1970s, these systems are at the end of their life and must be replaced with integrated, modern technology capable of meeting the current and future needs of our customers.*

*The new system also will provide the backbone for a one-stop shop for Washington businesses to register, license, and pay their taxes and fees. This has long been a goal envisioned by legislators, agencies, and businesses alike.*

*Successfully building this new tax and licensing system is not without risk, and it will require the full commitment of financial resources and personnel. We are gearing up and building a project team to represent the needs of our internal and external customers through the life of this project. It will be a long and intense process, but I am confident the result will increase our customer service and efficiency.*

*As you read through this Strategic Business Plan, you will notice it is organized differently than past editions. The tax and licensing systems replacement is our cornerstone project. However, we want to give recognition to the other excellent work underway at Revenue to improve the customer experience, make tax collection simple and efficient, and support fair and consistent tax policy.*

*I am proud to lead the nationally-recognized, award-winning Department of Revenue. I am continually impressed by our staff's excellence, dedication, leadership, and innovation. We strive daily to achieve the goal of being the best agency in state government.*

A handwritten signature in black ink, appearing to read 'C. Nelson'.

Carol K. Nelson  
Director





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## Mission

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

## Vision

To achieve the highest level of voluntary compliance and customer service through collaboration and innovation.

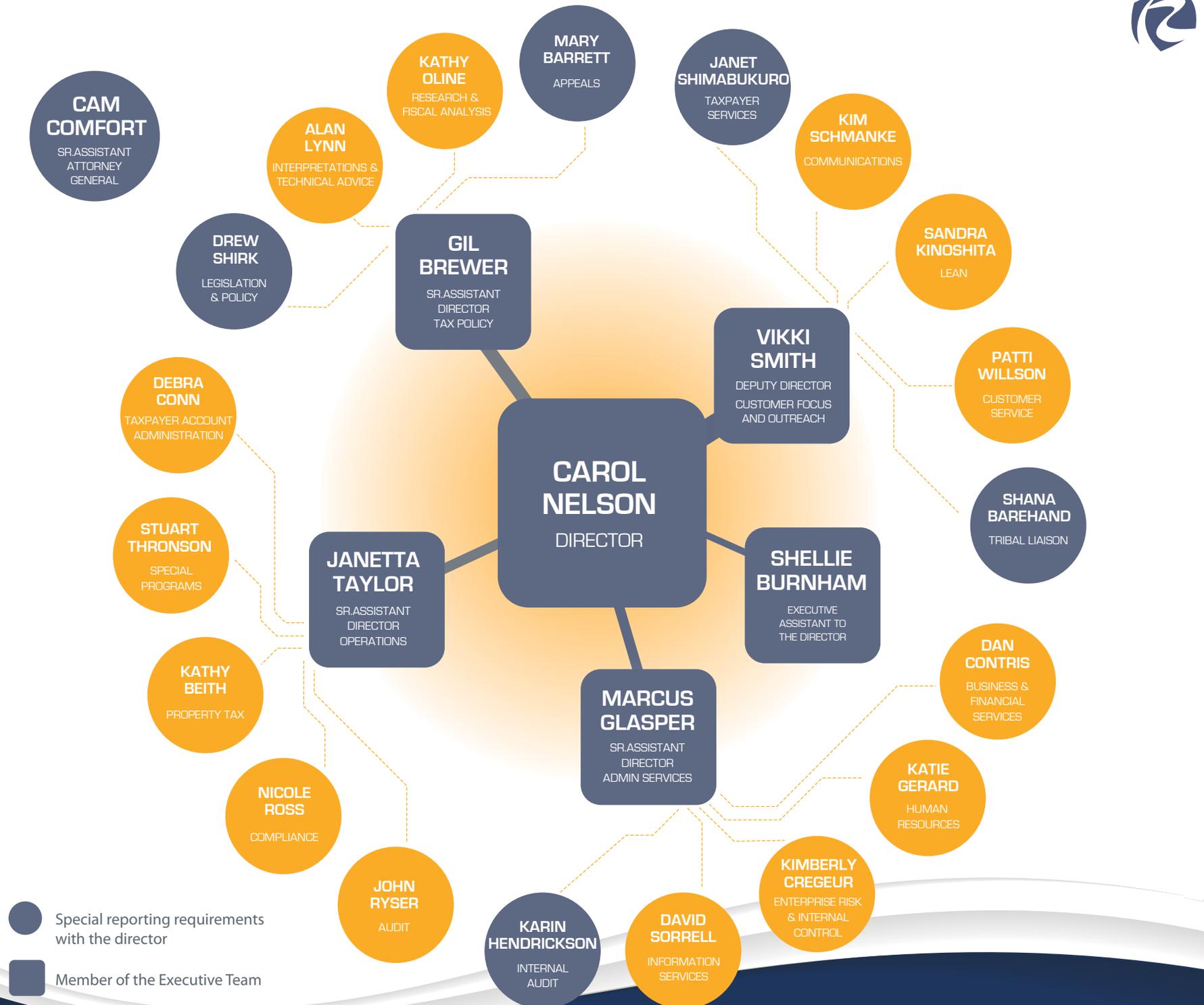
## Values

- ▶ *Open Communication*
- ▶ *Cooperation*
- ▶ *Respect*
- ▶ *Integrity*
- ▶ *Professionalism*
- ▶ *Accountability*
- ▶ *Excellence*

## Goals

- ▶ *Deliver customer-focused service*
- ▶ *Simple and efficient collection of taxes and program administration*
- ▶ *Develop, retain and value a high-quality diverse workforce*
- ▶ *Promote correct and timely reporting and payment of taxes*
- ▶ *Fair and consistent tax policy administration*





- Special reporting requirements with the director
- Member of the Executive Team



## The Landscape

### Economic Factors

Even though federal officials determined the Great Recession ended in June 2009, the pace of Washington's economic recovery has been slow. During the last several quarters, the state's taxable retail sales – a measure of consumer spending – returned to pre-recession levels.

The 2013 legislative session was the first in recent years when massive budget cuts weren't the talk of the town. However, all eyes are on the debate between the Washington State Legislature and the Washington State Supreme Court over the decision in *McCleary v. Washington*.

The Court ruled in January 2012 that the state is not amply funding basic education, which will likely have massive implications for future budgets. Estimates on how much the Court expects the Legislature to add to K-12 spending vary between \$750 million to \$2 billion a year.

State revenue forecasts do not project enough growth for the economy to shoulder this spending increase. As a result, the *McCleary* decision has the potential to put additional pressure on Revenue to increase its collection commitments and generate more tax revenue for the state.

### Uncharted Territory

Revenue has a role in the state's implementation of Initiative 502, which legalized the sale and use of recreational marijuana. The Liquor Control Board will assess and collect the majority of taxes under I-502. However, Revenue will collect retail sales tax on marijuana transactions as well as the business and occupation taxes on gross business income.

Marijuana has been a cash-only business, and some financial institutions have not yet embraced these state-licensed businesses as clients. Revenue has to prepare its field offices to accept cash tax payments until more of these businesses have access to banking accounts and can electronically file and pay their taxes.

### Federal Outlook

Revenue has been a key player in efforts to convince Congress to give states authority to require remote sellers, without an in-state physical presence, to collect retail sales tax. This authority is currently preempted under federal law. Revenue's efforts have supported the introduction and passage of the Marketplace Fairness Act (MFA) in the U.S. Senate. Presently, the U.S. House of Representatives is considering the issue. If Congress were to enact legislation similar to the MFA, Revenue estimates state and local sales tax revenues could increase by \$713 million for the 2015 – 2017 biennium. Additionally, Congress continues to consider federal preemption bills that would, if enacted, lower state and local tax revenues, the most impactful being the Business Activity and Simplification Tax Act. Revenue will continue to engage at the federal level to support sound tax policy that benefits the state's interests.



### **Streamlining Operations**

Governor Inslee introduced the Results Washington initiative in fall 2013 to make state government more effective, efficient, accountable, and transparent. At the same time, he has challenged agencies to deepen their use of Lean strategies in order to increase the value of services that agencies provide Washingtonians. In response, Revenue has established a Lean Transformation Office to accelerate our use of Lean to increase our efficiency while providing high levels of customer service.

### **Tribal Relations**

Revenue continues to work on the complex taxation issues that arise with Indian tribes located in the state's boundaries. We employ a full-time tribal liaison who seeks to understand the tribes' perspective on issues of mutual interest, promote the opportunity for consultation with Revenue, and help communicate Revenue's decisions.



# Revenue at a Glance

## Statistics (FY13)

### Revenue Collected

#### State Revenues (in billions)

Retail sales & use tax	\$7.7
Business & occupation	\$3.3
State property tax levy	\$1.9
Other state taxes	\$2.5

#### Local Revenues

Retail sales & use tax	\$2.8
Other local revenues	\$0.3

**Total Collections \$18.5**

### Unclaimed Property Returned

Monetary claims processed	174,819
Refunds processed	170,826
Amount (in millions)	\$68.1

### Miscellaneous

Filed returns	2,149,032
Returns filed electronically	90%
Excise taxes paid electronically	97.5%
Average tax return error rate	13.9%
Audits conducted	7,491
Call center	471,000
Average monthly website visits	597,024

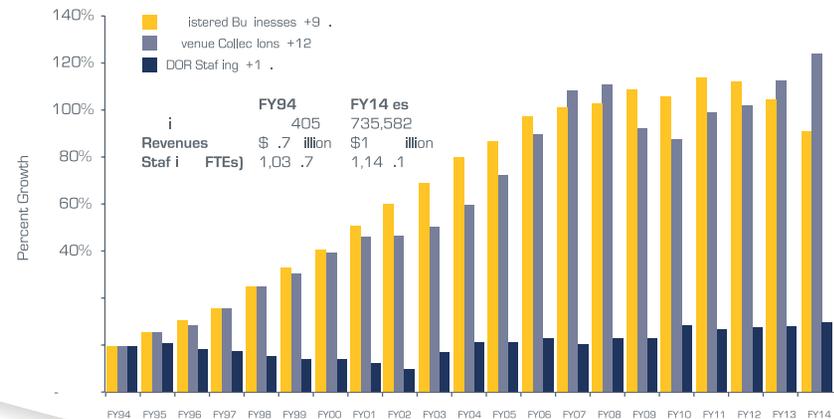
## Revenue Cost Per \$100 Collected (FY06 thru FY13)



## Enforcement Collections



## Registered Businesses, Revenue Up Substantially Over Past 20 Years While Revenue Staffing Up Slightly





# Addressing the Most Significant Challenge – Tax and Licensing Systems Replacement Project

## Project Statement

Revenue plays a pivotal role in the state's economic vitality and business climate. In Fiscal Year 2014 alone, Revenue collected an estimated \$19.6 billion in state and local taxes and processed more than 560,000 business license applications and renewals.

The systems Revenue uses to collect taxes and license businesses are severely outdated and in need of modernization. Basic programming changes take hundreds of hours and extensive effort and testing to ensure the systems remain stable. Due to their age and complexity, their risk of failure increases each year. There is a real threat of disruption to tax collection and business licensing due to system failure.

The age of the systems also limits Revenue's offerings to its customers. Making matters worse, the programming language is no longer taught, and developers capable of operating in this environment are difficult to recruit.

These systems are incapable of supporting today's expectations by businesses and government partners that count on Revenue's services.

With legislative funding, Revenue has begun the first phase of a comprehensive tax and legacy systems replacement. Once in place, this up-to-date, integrated tax and licensing system will ensure Revenue continues fulfilling its mission while transforming its business processes to align with industry best practices.

The systems replacement creates the backbone needed for the state to achieve its vision of a one-stop business portal, benefiting all those doing business in the state while improving Revenue's effectiveness and efficiency.

## Initial Steps

Revenue completed a replacement study in April 2013. After evaluating the options, Revenue chose to seek a Commercial Off-the-Shelf solution (COTS) and received legislative funding in the 2013 – 15 biennium to initiate the procurement and phased implementation.

## Scope of Effort

Revenue's tax and licensing systems replacement project includes replacing two primary systems, the Core Tax, and the Business Licensing System.

Core Tax includes 12 subsystems used to administer and collect more than 60 tax types. These include the business and occupation, sales and use, and general excise taxes, which are Washington's largest revenue sources. These systems provide online services to Washington taxpayers as well as tax processing and accounting functionality needed by Revenue staff to administer the various tax programs.

The Business Licensing Service includes five subsystems that provide online services for Washington businesses as well as several other systems used by Revenue staff to administer the program. Other state agencies and Revenue's city partners also access the system to make updates, retrieve information, and serve mandated licensing functions.



## Action Plan

Revenue plans to issue a Request for Proposal and will contract with a vendor for a COTS solution. Procurement began in September 2013 and is scheduled to be complete by the end of Fiscal Year 2015.

After a contract is signed, implementation is anticipated to take five years. The release strategy will be finalized during the procurement and contracting effort.

## Performance Measures

The replacement of Revenue's Core Tax and Business Licensing Service systems will change current business processes. This will allow Revenue to implement efficiencies that aren't currently possible due to the age and complexity of the legacy systems and provide improved customer service to Revenue, city partners and businesses.

## Constraints

- ▶ *Competing priorities within the agency and across the state enterprise*
- ▶ *Resources available in the Information Services division and business divisions*
- ▶ *Funding/budget limitations*

**Lead Division - Executive**



# Meeting Goals Through Ongoing Strategies





## Focusing on Customers and Stakeholders

### Respond to the Changing Needs of Customers

The ability to gauge what customers want and work toward providing these services starts with listening. Measuring customer satisfaction can lead to improvements in Revenue’s efficiency and effectiveness as well as increase citizen trust in state government.

Revenue has several methods for gathering information about customers’ changing needs:

- ▶ *Employing usability testing when major changes are made to Revenue’s website.*
- ▶ *Studying website “traffic flow” with data captured by Google Web Analytics. This includes:*
  - ▶ *Tracking technology use trends.*
  - ▶ *Identifying most-used browsers, platforms, and operating systems.*
- ▶ *Identifying services and information accessed the most, which drives new product creation (mobile apps).*
- ▶ *Meeting with industry groups or associations.*
- ▶ *Soliciting customer feedback online.*

Revenue conducted a taxpayer satisfaction survey in the spring of 2014. Survey responses help measure how customers perceive Revenue’s level of customer service and provide insight into what customers want from the agency.

### Taxpayer Satisfaction Surveys

Percentage of taxpayers satisfied with Revenue

	2001	2004	2007	2014
<b>Satisfied</b>	<b>30.9%</b>	<b>27.1%</b>	<b>33.3%</b>	<b>93.5%</b>
<b>Neutral</b>	<b>46.8%</b>	<b>51.5%</b>	<b>41.3%</b>	<b>N/A</b>
<b>Dissatisfied</b>	<b>17.1%</b>	<b>13.3%</b>	<b>21.8%</b>	<b>6.5%</b>
<b>No Opinion</b>	<b>5.2%</b>	<b>8.1%</b>	<b>3.6%</b>	<b>N/A</b>

\*Neutral and no opinion were not options in 2014

Revenue appointed a Customer Service Advocate in 2013 to develop, recommend, and implement strategies to improve customer-focused service. The following new or improved strategies will increase Revenue’s responsiveness to customers:

- ▶ *Improving the customer feedback process to provide better tracking of customer complaints and the ability to track trends and identify services or programs that need improvement.*
- ▶ *Begin conducting transactional surveys for some key processes, such as audits and calls received in the call center.*
- ▶ *Exploring options to contact new businesses after they have filed their first tax return to highlight resources that are available to customers on Revenue’s website and by phone.*
- ▶ *Encouraging divisions and/or programs to seek customer feedback.*

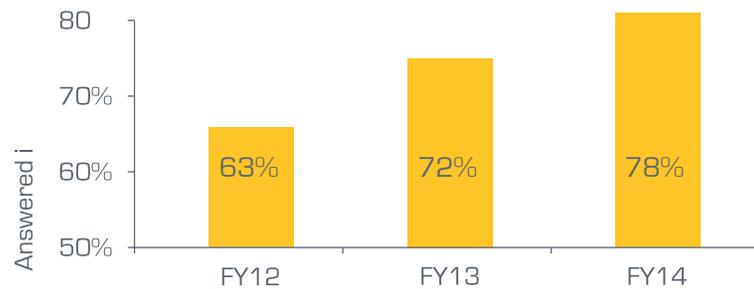


## Improve Response Times

Customers expect to receive accurate information in a timely manner. Revenue tracks more than 45 performance measures to rate response times to both internal and external customers. The divisions and programs strive to meet and exceed these measures. Revenue will continue efforts to review critical processes to maximize efficiencies and increase their value to customers.

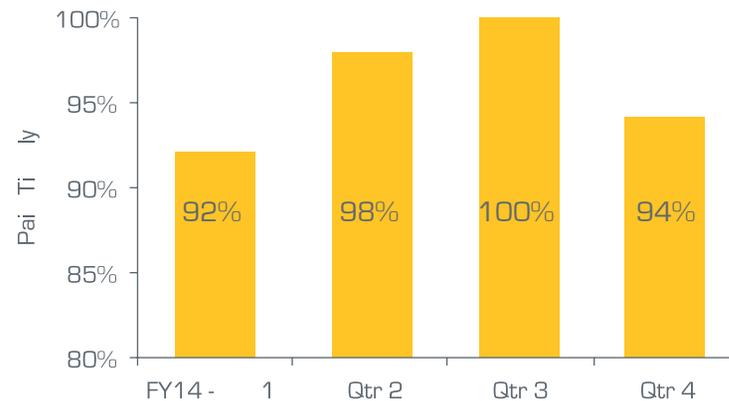
The following highlights some of Revenue's response time measures and tactics to meet them:

### Answer 80 Percent of Call Center Calls Within 60 Seconds



- ▶ Monitoring systems to avoid backlog, add agent coverage as needed, and review historical data to predict heavy call volumes and adjust staff coverage as needed.
- ▶ Expanded the telephone performance measure to require all toll-free phone lines to adhere to the measure of answering calls within 60 seconds.
- ▶ Added Live Chat as an alternative communication tool.
- ▶ Periodically review phone systems to ensure they have the latest upgrades or services available.

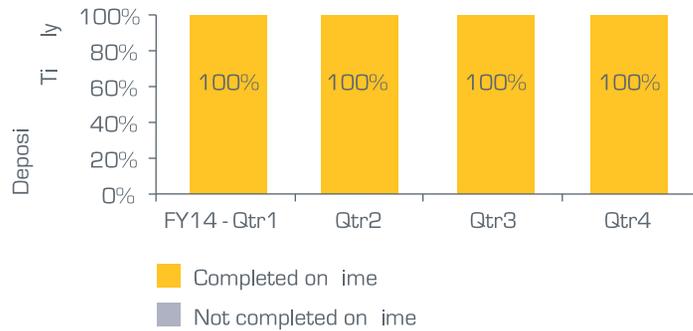
## Pay Property Tax Grant and Deferral Claims Within 30 Days of Receipt or Before the Tax/Special Assessment Due Date



- ▶ Planning a Lean event in 2015 to review internal processes and continue staff training.
- ▶ Planning to update the system to allow electronic receipt of documents to reduce process times (dependent upon staff resources available in Information Services).
- ▶ Cross-trained staff to process claims.
- ▶ Simplified the application/claim forms.

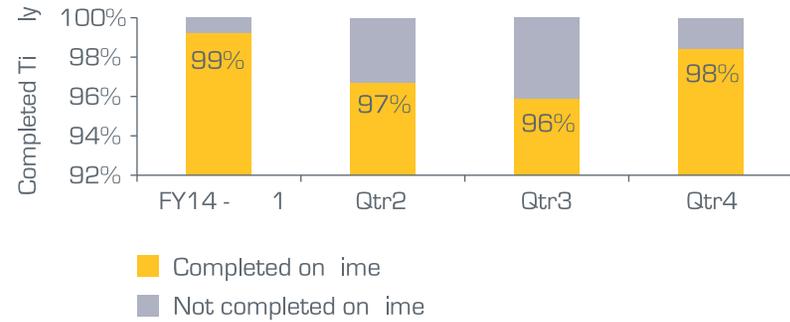


### Deposit All Payments and Process All Documents No Later Than One Business Day After Receipt



- ▶ Used Lean principles to review the deposit and batching process and make adjustments to allow for timely deposits during peak cycles.
- ▶ Seek cross-divisional assistance during peak cycles.

### Process Business License Applications Online Within Two Days, Paper Within Three Days



- ▶ Held a Lean workshop to map the process. The resulting pilot project led to a 63 percent increase in online renewals.
- ▶ System replacement project underway, which will increase capabilities and capacity.



## Partner with Stakeholders

In an effort to develop sound tax policy and enhance the understanding and administration of tax laws and rules, Revenue partners with many business associations, professional organizations, national stakeholders, tribal governments, local and state agencies, and other customer groups.

### Business Stakeholders

Revenue engages customer groups and business representatives to ensure their voice is heard. These efforts range from soliciting ideas and feedback on policy and law changes to engaging them on the development of interpretive statements and educational materials to inform their members. Through these relationships, Revenue keeps a pulse on issues that matter to customers and takes timely action when needed.

Revenue is exploring new forums to engage a wider cross-section of the business community on issues that matter to them and Revenue.

### Business Stakeholders

- ▶ *Association of Washington Business (AWB)*
- ▶ *Independent Business Association (IBA)*
- ▶ *National Federation of Independent Business (NFIB)*
- ▶ *Tax Executive Institute (TEI)*
- ▶ *Washington Retail Association (WRA)*
- ▶ *Washington Roundtable*
- ▶ *Washington State Bar Association (WSBA)*



### **Government Stakeholders**

Revenue partners with other government agencies and their representatives in several ways:

- ▶ *Holds an annual local government partnership meeting to discuss issues and identify improvements to current processes.*
- ▶ *Employs a full-time Tribal Liaison who serves as a point of contact for all Tribes and tribal matters.*
- ▶ *Collaborates with other state agencies to provide expedited services to businesses through one-stop business licensing and registration. This cooperation has improved services to customers and enhanced tax enforcement efforts. In addition, the agency meets quarterly with the Department of Commerce to share information related to economic development in the state.*
- ▶ *Participates in several national organizations, including the Streamlined Sales Tax project, Multistate Tax Commission, and the Federation of Tax Administrators. This enables Washington to share best practices, work jointly on tax and administrative issues, and improve uniformity in state taxes where possible.*

Revenue plans to strengthen its tribal relations by establishing a Tribal Tax Advisory Workgroup and implementing a tribal consultation protocol in the spirit of the 1989 Centennial Accord and Chapter 43.376 RCW.

### **Government Stakeholders**

- ▶ *Tribal Governments*
- ▶ *Local Governments*
- ▶ *Association of Washington Counties*
- ▶ *Association of Washington Cities*
- ▶ *Federation of Tax Administrators (FTA)*
- ▶ *Streamlined Sales Tax Governing Board*
- ▶ *County Assessors*
- ▶ *Multistate Tax Commission (MTC)*
- ▶ *State Agencies and the Legislature*



## Building and Maintaining a High-Quality Workforce

### Hire a Qualified, Diverse Workforce

Revenue strives to be an employer of choice. However, recruitment and retention of qualified and skilled employees can be a challenge. Revenue established a team in Fiscal Year 2012 to explore non-compensation related strategies to recruit and retain qualified and diverse employees. The efforts to date have resulted in heightened focus on diversity (training and recruitment), mentorship, succession planning, on-boarding, and diversity outreach activities.

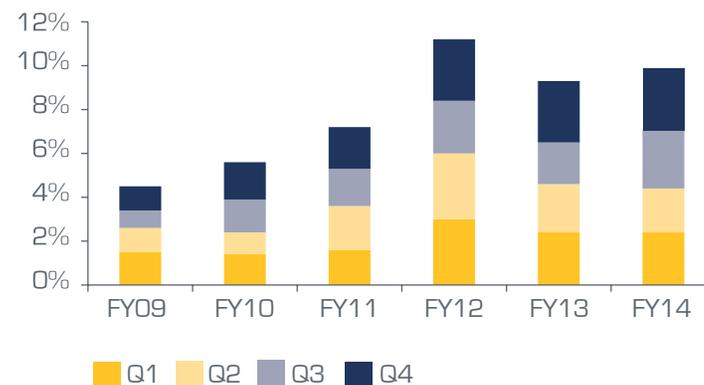
As a result of this committee's work, Revenue conducted employee engagement interviews. The results are being used to identify trends or common issues that help the agency retain employees and identify areas that may assist in recruitment efforts.

Revenue plans to strengthen recruitment by utilizing additional resources to enhance outreach to the American Indian/Alaskan Native and Asian/Pacific Islander communities as well as to veterans and persons with disabilities. These efforts include:

- ▶ Targeted recruitment efforts to promote jobs on community websites, in newspapers, with colleges and universities, on listserves and through job fairs related to the specific communities listed above.
- ▶ Proactive approaches to community outreach, such as:
  - ▶ Forging a strong relationship with the Washington State Commission for Asian Pacific American Affairs and the Governor's Office of Indian Affairs to enhance recruitment within these communities.

- ▶ Promoting Revenue as an employer of choice who values diversity and provides career development.
- ▶ Working proactively with other state agency colleagues to share resources and strategies for recruiting diverse candidates.
- ▶ Hosting recruitment events to share Revenue's mission, vision and goals, and its career development and advancement opportunities.
- ▶ Utilizing current employees as resources to reach out and recommend candidates from diverse communities.

### Maintain Annual Agency Turnover Rate at or Below 12%





## Develop Existing Staff

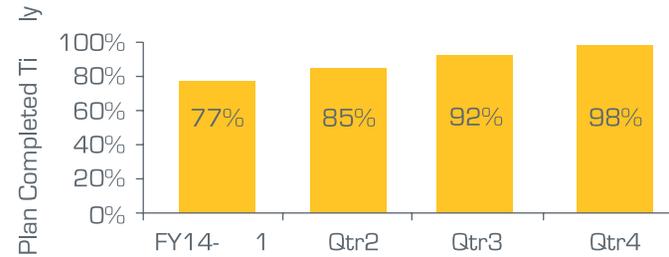
Mentoring and developing existing staff improves retention, contributes to employee satisfaction, and ultimately helps promote Revenue as a desired employer. Revenue has made significant progress in areas to assist in the growth and development of current employees. These include:

- ▶ Continuation of formal succession plans that include detailed plans for the transfer of knowledge for agency-designated critical positions.
- ▶ Intranet articles highlighting existing development programs (job shadowing, developmental job assignments, state tuition waiver program).
- ▶ Reinstatement of tuition reimbursement.
- ▶ Opportunity to participate in various Lean projects.
- ▶ Deployment of a cultural competency survey to identify opportunities for improvement that will inform training efforts.

### Upcoming Areas of Focus:

- ▶ Launching the “Our Values in Action - Building a Culture of Respect” training.
- ▶ Promoting job shadow opportunities throughout the agency.
- ▶ Leadership succession planning.
- ▶ Identifying employee expectations regarding growth and development opportunities.

## Complete all Individual Development Plans by Due Date





## Promote Health and Safety

Over the past few years, Revenue has improved communication and clarified roles between building and agency safety committees. That has led to better coordination and communication about important safety issues.

Recently, Revenue created a decision-making body that reviews safety concerns from an agencywide perspective. The committee uses the yearly statewide safety survey results to identify areas of improvement and has established a comprehensive protocol for communicating safety issues. Additionally, this team discusses, makes recommendations, and communicates results back to building and agency safety committees, improving the coordination of activities.

Employee wellness is important, and Revenue is applying to Team WorkWell in support of the Governor's Executive Order 13-06, Improving the Health and Productivity of State Employees and Access to Healthy Foods in State Facilities. Areas of upcoming focus include:

- ▶ *Updates to the Employee Reference Guide*
  - ▶ *Adoption of programs and goals toward healthy choices to reduce health care costs.*
  - ▶ *Creation of a comprehensive wellness plan to improve productivity, quality of life, and life expectancy.*
  - ▶ *Creation of policy to implement healthy food and beverage services for employees.*
  - ▶ *Education and resources related to healthy activity and behaviors, disease prevention, and diabetes prevention.*
  - ▶ *Participation in the Diabetes Prevention Program.*

## Learn from Employee Satisfaction Surveys

Revenue has conducted an Employee Satisfaction Survey every two years since 1987 to guide agency improvement efforts. Employees are asked to rate their satisfaction in areas such as career development, work climate, communication, and supervision. Revenue partners with Washington State University to host the survey online so responses are secure and confidential.

Following the survey, divisions host feedback sessions for employees to openly discuss results and recommend priority areas for improvement at the division and agency levels. Leadership considers the feedback results to select priorities for action plans.

Revenue also conducts the Washington State Employee Survey (formerly known as the Statewide Climate Survey) in conjunction with the Employee Satisfaction Survey. The employee responses provide data that can be compared to peer agencies and used for benchmarking and best practices research. More than 83 percent of Revenue employees took the statewide survey in 2013; 56 percent of employees statewide responded.

Governor Inslee has made employee satisfaction a measure of his Results Washington initiative. Four questions from the state employee survey are incorporated into Goal 5: Efficient, Effective and Accountable Government. These questions span employee engagement and satisfaction, customer value, and whether agency leadership creates a respectful workplace culture.

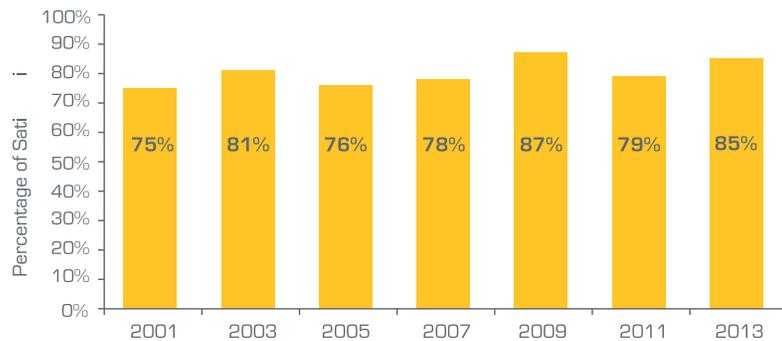


Agencies are being asked to use Lean methods through our Results Washington program to pinpoint causes of employee concern and focus on making real, measurable improvements. This survey will also begin to be conducted annually.

Revenue will continue to use divisional employee feedback sessions to improve workplace satisfaction and help the state achieve its Results Washington goals.

Results of the next survey will be used to measure if employee satisfaction has increased in areas addressed through the most recent action plans.

### I am Satisfied with my Employment at Revenue





# Promoting Correct Reporting and Increasing Voluntary Compliance

## Reduce the Underground Economy

The underground economy refers to those individuals and businesses that conceal their activities and their true tax liability from government. These activities can be underreported or not reported at all.

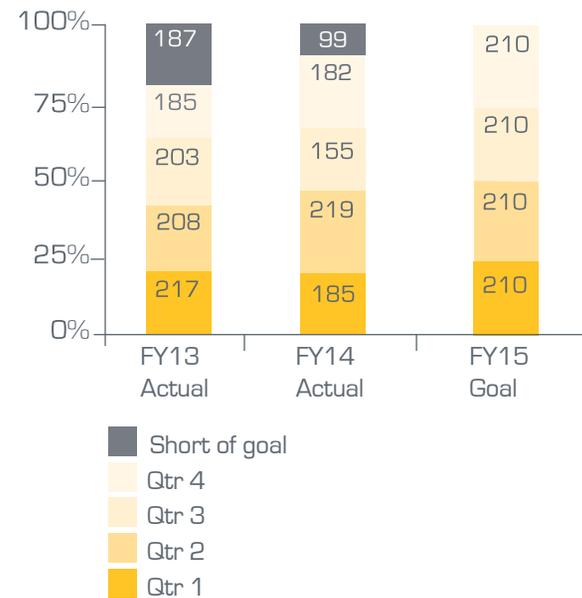
Revenue will guide enforcement efforts to reduce the underground economy by integrating and analyzing data and enlisting agency staff to focus on this effort. Staff will work to identify underreporting and unregistered businesses in all business sectors and work proactively and cooperatively with the departments of Labor and Industries and Employment Security to foster data sharing and referrals. The goal is to level the playing field for registered businesses that willingly pay and properly report their taxes.

The following ongoing efforts will be integrated into Revenue's daily work:

- ▶ Increase awareness for the public on the underground economy through media work and a public awareness campaign.
- ▶ Provide an avenue for the public to report fraud through [Suspectfraud.com](http://Suspectfraud.com).
- ▶ Provide referrals to the Attorney General's Criminal Litigation Unit.
- ▶ Utilize the data warehouse to provide leads for agency enforcement efforts.
- ▶ Register at least 800 businesses each fiscal year through agency enforcement efforts.
- ▶ Share data and referrals with fellow state agencies.

- ▶ Meet quarterly with Labor and Industries, Secretary of State and the Employment Security Department to identify improvements in data sharing, communication, and enforcement.
- ▶ Assess and collect revenues associated with the underground economy.
- ▶ Provide updates and results to the House Labor & Workforce Development Committee and the Senate Commerce & Labor Committee.

### Businesses Involuntarily Registered by the Department





## Monitor Businesses with Economic Nexus

Washington's new economic nexus standard took effect on June 1, 2010, establishing tax liabilities for businesses that benefit from the Washington marketplace but do not have a physical presence in the state.

Revenue has implemented strategies to ensure that affected businesses understand and comply with the new law and report and pay their taxes correctly. Revenue conducted the following:

- ▶ *Extensive industry-specific educational efforts to reach potentially impacted businesses.*
- ▶ *Media outreach.*
- ▶ *Industry-specific Special Notices.*
- ▶ *Training for agency staff.*
- ▶ *Reviews of resources to identify unregistered out-of-state businesses not appearing to comply with the new economic nexus legislation.*
- ▶ *Enforcement efforts for unregistered businesses or those incorrectly reporting.*

Future efforts include promoting the Voluntary Disclosure Program to encourage businesses to come forward. Revenue will continue exploring additional sources of data to assist with enforcement efforts. Enforcement results will be captured and monitored to ensure resources are best utilized in promoting voluntary compliance related to Economic Nexus.

## Provide Taxpayer Education

Revenue is firmly committed to providing ongoing taxpayer education, which directly supports the priority of customer-focused service. Understanding the agency's customers and their specific needs is key to achieving this goal and furthering voluntary compliance.

While Revenue has long embraced user-centered design and Plain Talk principles, there is a renewed emphasis in this area. Revenue is gathering user feedback through surveys, analytics, usability tests, and other means to improve our website, mobile tools, and educational materials. Revenue is committed to providing customers with the education they need via the channels they prefer. Revenue launched Live Chat in January 2014 and began holding live webinars to complement online and in-person workshops. Revenue is using social media to reach out to its customers.

Other popular mechanisms for taxpayer education include the call center, tax topic articles, industry-specific guides and mailings, listserv email services, speaking engagements, as well as binding tax rulings.

Keeping pace with the ever-changing needs of customers is critical to both their success and Revenue's success in fulfilling its mission.



## Pursuing Simplicity and Efficiencies While Protecting the Agency and Information

### Expand Lean Management System

Revenue created the Lean Transformation Office in May 2013 to focus on the Director's priority and the Governor's commitment to build an efficient Lean management system. The Lean Transformation Office reinforces a culture of continuous improvement responsive to customers, stakeholders, and the evolving opportunities and risks in a rapidly changing business environment. Lean can reduce processing time and errors, improve customer satisfaction, and increase employee morale.

In its first year, the Lean Transformation Office accomplished foundational milestones:

- ▶ *Established the program framework, processes, and alignment with key agency functions.*
- ▶ *Led the development of an interagency Lean Six Sigma Green Belt curriculum that allows Revenue to certify practitioners at a fraction of the cost of external certification.*
- ▶ *Trained and certified 30 Lean Practitioners to develop Lean capacity throughout the organization.*
- ▶ *Facilitated large-scale, high-profile interagency and interdivisional Lean events.*
- ▶ *Created an online Lean Overview training for all new employees.*

The Lean Transformation Office plans to further integrate Lean into the organizational culture:

- ▶ *Provide information and programs focusing on "daily" Lean so all employees are equipped and empowered to use Lean tools in their work.*
- ▶ *Develop assessments and programs focusing on leader standard work and supporting the transition from traditional management to a Lean management system.*
- ▶ *Coach and provide ongoing development for internal Lean practitioners.*
- ▶ *Facilitate interagency and interdivisional Lean events prioritized by the Executive Team.*
- ▶ *Offer the next iteration of Lean practitioner training as needed.*
- ▶ *Improve the transition of projects from the Lean Transformation Office to the Project Accountability Office, which monitors the implementation of process improvement projects.*



## Implement Managed Print Services

Legislation passed in 2011 requires agencies with more than 1,000 FTEs to use print management services brokered by the Department of Enterprise Services, which has pre-qualified print management vendors for use by state agencies.

In September 2013, Revenue entered into a print management services contract with Lexmark. The contract provides multi-function devices for the agency, previously provided by Ricoh. The agency will use Lexmark to provide other print devices and solutions, which includes maintenance of the devices.

Revenue formed a print management services governance group. Its objective is to create an agency standard for deploying print devices and provide strategic oversight of the agency's efforts to provide a managed print solution to assist in monitoring and managing our print infrastructure. The group will disband once the agency's print infrastructure is in place.

Developing a managed print services infrastructure will provide the following benefits to Revenue:

- ▶ *Cost savings (efficiency)*
- ▶ *Sustainability (electricity, paper usage)*
- ▶ *Productivity (achieving agency objectives)*
- ▶ *Quality of service (servicing and resolving print device issues)*

## Relocate Headquarter Operations

Revenue is working with the Department of Enterprise Services to relocate its current headquarters (1025 Union Ave., Olympia) once its current lease extension expires in April 2016.

Revenue's move is based on poor Energy Star ratings and space inefficiencies in the current headquarters location. Revenue prefers to locate its headquarters near its two existing Tumwater offices to increase organizational efficiency. Being located within proximity would provide the following opportunities:

- ▶ *Space efficiencies within all three facilities, which will help Revenue meet the State's 250 square feet per employee standard.*
- ▶ *Enhance productivity and collaboration by reducing travel time between offices.*
- ▶ *Facilitate rapid interaction between employees and enhance customer service.*



## Manage Public Records

Responding timely and appropriately to public records requests is a legal requirement. The Public Records Act (RCW 42.56) requires agencies to reply to requests within five business days of receipt of the request, in one of the following ways:

- ▶ *Produce the record(s)*
- ▶ *Provide a reasonable estimate of time needed to respond*
- ▶ *Provide a website link to the location of the record(s), or*
- ▶ *Deny access to the record(s)*

Revenue must balance the release of records with protecting confidential tax information (RCW 82.32.330), licensing information (RCW 19.02.115), and any other information the law prohibits from disclosure.

Given the seriousness of retaining public records and appropriate responses to public records requests, Revenue will focus its efforts on improving employee awareness and managing results in response to public records. This includes:

- ▶ *Updating public records policies, procedure and rules.*
- ▶ *Regular meetings between records coordinators (retention) and public records coordinators (gathering records to respond to requests).*
- ▶ *Helping all employees understand their responsibilities under the Public Records Act.*
- ▶ *Defining roles and responsibilities of records custodians, public records staff, division public records coordinators, and employees in general.*
- ▶ *Improving our website and resources for requestors.*

## Enhance Agency Risk Mitigation Strategies

Revenue initiated an enterprise risk management approach in 2008. The benefits of enterprise risk management include proactively dealing with uncertainty, protecting against unwanted risk, and capitalizing on opportunities.

By applying enterprise risk management to business practices, the agency can more effectively and efficiently allocate its resources. It also enhances daily decisions and provides a disciplined approach to identify, evaluate, prioritize, and mitigate risks in programs and activities.

Revenue's progress to date in maturing its enterprise risk management program includes:

- ▶ *Created and implemented a six-step framework for enterprise risk assessments.*
- ▶ *Conducted two enterprise risk assessments, establishing an agencywide risk inventory.*
- ▶ *Established the Governance, Risk, and Controls group to align enterprise risk management efforts with internal controls, internal audit, and Lean.*
- ▶ *Introduced regular topics/training on risk at the agency's leadership team meetings.*

Agency leadership also integrated formal risk identification, prioritization, and management into agencywide strategic planning. This alignment is recognized as a best practice and is a hallmark of a mature enterprise risk management program.



During the next planning cycle, Revenue plans to advance the use of enterprise risk management principles through the following activities:

- ▶ *Establish a comprehensive risk appetite statement that outlines the level of risk Revenue is willing to accept in key process areas.*
- ▶ *In partnership with Internal Audit, define Revenue's audit-risk universe to allow for coordinated risk identification and audit planning.*
- ▶ *Offer a collection of enterprise risk management tools, templates, and training on the intranet.*
- ▶ *Develop and implement risk management and internal control policies that clarify expectations for all employees.*

## Secure Systems Against Threats

Cyber threats, security risks, and potential system vulnerabilities are significant and ever-changing. Cyber intrusions and attacks have increased dramatically over the last decade, exposing sensitive personal and business information, disrupting critical operations, and imposing high costs on the economy. All sectors of the economy have been impacted and continue to be at risk, including government agencies, financial organizations, retail, manufacturing, transportation, utilities, and professional service firms. The perpetrators of the cyber threats involve insiders and outsiders. Motives vary, ranging from nuisance to financial.

Each year, Revenue collects taxes in excess of \$18 billion, distributes over \$3.5 billion to local government, processes over 515,000 business license applications and renewals, and conducts millions of online transactions. The information and money that Revenue processes is significant to state, county, city, and other local municipalities and organizations.

To safeguard systems and data, and provide efficient and secure online services, Revenue has established a comprehensive, multi-faceted security program involving policies, processes, experienced staff, tools and technology, and training.

Going forward, Revenue is committed to making further investments and enhancing its security program. In the coming months and years, Revenue will:

- ▶ *Capitalize on Consolidated Technology Services shared security service offerings.*
- ▶ *Integrate new tools and technologies.*



- ▶ *Provide security related training to both Information Services and business staff.*
- ▶ *Mature the security program through refining procedures and processes as well as implementing recommendations based on independent third party assessments.*
- ▶ *Integrate closely with other security organizations.*

## **Prepare for Disaster Recovery**

Executive Order 13-02, Continuity of Government Operations Preparation, requires state agencies to develop a Continuity of Operations Plan (COOP) to ensure delivery of essential functions and services to the citizens of the state during any disaster or emergency, and to coordinate actions to ensure essential functions that overlap with other agencies continue without interruption.

Agencies updated their Continuity of Operations Plan in June 2014. Revenue's plan dates back to 2007.

Revenue formed the Emergency Preparedness Improvement Core Team to facilitate the improvement of the agency's plan. Divisional membership includes:

- ▶ *Business & Financial Services*
- ▶ *Compliance*
- ▶ *Executive*
- ▶ *Human Resources*
- ▶ *Information Services*
- ▶ *Taxpayer Account Administration*
- ▶ *Taxpayer Services*

The team is utilizing Federal Emergency Management Agency resources to identify essential functions, document business process, and prepare impact analysis.



## Advocating for Fair and Consistent Tax Policy Development and Supporting Executive and Legislative Branches

### Develop Transparent Tax Policy Strategies

Transparent tax policy supports voluntary compliance, forms the basis for ongoing policy development, and improves the public's confidence in the fair administration of Washington's tax system.

Transparency is the clear communication of current and emerging tax policy to taxpayers and within Revenue. It requires consistency in every level of taxpayer communications, from audits, letter rulings and determinations to rules and other publications.

Revenue has taken steps to improve communication between divisions and increase the consistency of tax policy decisions. Division leaders meet regularly to discuss and resolve complex policy issues. There is greater interdivisional collaboration on taxpayer appeal determinations.

Revenue recognizes that increasing transparency will require continuous effort, particularly around the consistency of decisions that are made by policy divisions. Revenue plans to:

- ▶ *Develop processes to ensure that consistent tax policies are being implemented across the agency and that policy decisions are coordinated between divisions prior to issuance of final decisions. This will ensure that all published determinations represent the current interpretation of the Department.*

In addition, Revenue will improve its public communication of tax policy through:

- ▶ *Streamlining and improving the processes used to coordinate with other state agencies and obtain external stakeholder input into policy decisions.*
- ▶ *Increasing the number of published taxpayer determinations, with a stretch goal of publishing 25 percent of all new determinations by 2016.*
- ▶ *Creating new performance measures for routine and administrative rule updates, including those impacted by the rulemaking moratorium.*
- ▶ *Establishing a process to prioritize the revision and adoption of rules and interpretive statements addressing more complex areas or that are expected to involve substantial stakeholder involvement.*
- ▶ *Increasing use of other publications, such as special notices, industry guides, etc.*



## Partner with Office of the Chief Information Officer (OCIO) to Build WA Business One-Stop

Washington is home to more than 375,000 small businesses. These businesses interact with multiple state agencies to successfully start, run, and grow. Over the years, state agencies have undertaken significant efforts to streamline these interactions to make it easier for businesses to comply with state regulations. Despite all that has been done, Washington still does not have a One-Stop business resource for licensing, regulatory assistance, and related information.

In December 2012, a coalition of state agencies developed a blueprint for the build-out of an enterprise One-Stop. The project received \$737,000 in initial funding during the 2014 legislative session.

### Program Vision

The Washington Business One-Stop will provide a single, Web-based place where businesses go to conduct their business with the state and receive information that is tailored to them and their particular industry.

The long-term vision is to offer businesses a single, seamless experience with state government so they can identify and conduct all their business transactions.

### Partner Agencies

- ▶ Commerce
- ▶ Employment Security
- ▶ Enterprise Services
- ▶ Labor and Industries
- ▶ Office of the Chief Information Officer
- ▶ Office for Regulatory Innovation and Assistance
- ▶ Office of the Secretary of State
- ▶ Consolidated Technology Services
- ▶ Revenue

## Iterative and Incremental Approach

The state's Office of the Chief Information Officer is using Lean Startup and Agile software development principles to guide the product development effort. This approach focuses on delivering features faster and more efficiently, allowing the One-Stop to:

- ▶ *Build incrementally, measure and learn.*
- ▶ *Involve business owners.*
- ▶ *Get feedback early and often.*
- ▶ *Reduce steps and risks.*
- ▶ *Deliver what the customer wants.*

## Revenue is a Partner Agency

The governance of the Business One-Stop program is a collaborative effort involving multiple agencies. The Office of the Chief Information Officer is responsible for the overall project management and will house the Business One-Stop development team. The Steering Committee (composed of representatives from the partner agencies) is responsible for guiding incremental development and for making available the resources and expertise to implement the project.



## Participate in Modernizing Statewide Financial Systems

Washington is beginning an ambitious effort to modernize key financial and administrative systems. “One Washington” is the outcome of many years of effort toward improvements and efficiencies and a recent State Auditor’s Office performance audit. This effort will span several years and takes a similar approach to Revenue’s Tax and Licensing System Replacement project.

The 2013-15 operating budget includes a provision of \$2.4 million to provide funding for “process assessment and preparation associated with the configuration and implementation of a modernized financial management system known as Enterprise Resource Management.”

Revenue plans to participate as it has with past financial and administrative improvement efforts, most recently the Office of Financial Management Roadmap Project.

The planned scope includes the following components, all of which are important for Revenue’s operations and objectives:

- ▶ *General ledger accounting and financial reporting*
- ▶ *Revenue cycle accounting\**
- ▶ *Performance management*
- ▶ *Procurement*
- ▶ *Asset management*
- ▶ *HR management (limited scope, expected to complement HRMS)*
- ▶ *Budget*

\*The project will not replace Revenue’s functionality for tax revenue processing.



**Support Results Washington**  
**Goal 2: Prosperous Economy and**  
**Goal 5: Efficient and Accountable Government**

**The Goal 2 Vision:** An economic climate where innovation and entrepreneurship can continue to thrive, creating good-paying jobs in every corner of our state – jobs that will provide great livings and great communities for all of us, our children, and grandchildren.

Washington is home to more than 4.3 million working age individuals and over 700,000 businesses. These individuals and businesses interact with multiple state agencies to seek jobs and successfully start, run, and grow their businesses. Through direction provided by Governor Inslee and Results Washington, a multi-agency Goal Council with Revenue Director Carol Nelson as lead has identified goal topics, subtopics, outcome measures, and leading indicators to track our progress toward keeping Washington an attractive place to grow your business, work, and live.

**Revenue is also invested in Goal 5:** Effective, Efficient, and Accountable Government. Washingtonians expect their tax dollars to be put to the best possible use. That means investing in state services that are the most important to them, providing those services with excellence, and then making services easily available to the public.

The agencies leading Results Washington Goal 5 have developed outcome measures that demonstrate our commitment to using Lean management principles to deliver customer satisfaction, employee engagement and innovation, and transparency and accountability. Revenue is leading the way to becoming an employer of choice through our commitment to Lean management principles and employee engagement and innovation.

Tracking progress towards each of Governor Inslee’s goals is a key part of Results Washington.

- ▶ *Each goal is broken down into topics that organize how we define and measure progress.*
- ▶ *Each topic includes outcome measures that represent the results we want to achieve.*
- ▶ *Progress toward those outcome measures is determined by specific, quantifiable indicators.*
- ▶ *State agencies have the responsibility to track and report out on this data through the Results Washington website.*

Progress toward goals is overseen by the respective Goal Councils, and all participating agencies have a responsibility to work together to achieve goals.

As the lead on Goal 2, Revenue has responsibility to coordinate and work with the Goal Council to stay on target to meet the Governor’s goals. All agencies have a responsibility to work toward becoming an employer of choice and meet Goal 5.

**Partner Agencies/Groups**

- ▶ Agriculture
- ▶ Archaeology & Historic Preservation
- ▶ Commerce
- ▶ Commission on Asian Pacific American Affairs
- ▶ Ecology
- ▶ Employment Security
- ▶ Financial Institutions
- ▶ Office of Financial Management
- ▶ Revenue
- ▶ Governor’s Office of Indian Affairs
- ▶ Health Care Authority
- ▶ Office of Minority and Women’s Business Enterprises
- ▶ Labor and Industries
- ▶ Office for Regulatory Innovation & Assistance
- ▶ Transportation
- ▶ ArtsWA



Governor Jay Inslee

# A New Strategic Framework

## Vision

A **Working Washington** built on education and innovation ... where all Washingtonians thrive.

## Mission

- Foster the spirit of **continuous improvement**
- Enhance the conditions for **job creation**
- Prepare **students** for the future
- Value our **environment**, our **health** and our **people**

## Foundation

- **Create** a responsive, **innovative** and data driven culture of continuous improvement.
- **Recognize** Washington's rich **natural resources**, diverse **people** and entrepreneurial **drive**, and build upon our legacy.
- **Operate** state government with the expectation that success is dependent on the success of **all**.
- **Create** effective communication and transparency on **goals**, **measures** and **progress** in meeting expectations.
- **Deepen** our focus, understanding and commitment to our citizens: **Know our customers**.

## Goals



World-Class Education



Prosperous Economy



Sustainable Energy and a Clean Environment



Healthy and Safe Communities



Efficient, Effective and Accountable Government

## Measure & Improve

Building a more responsive, data-driven state government to get results:



[www.results.wa.gov](http://www.results.wa.gov)

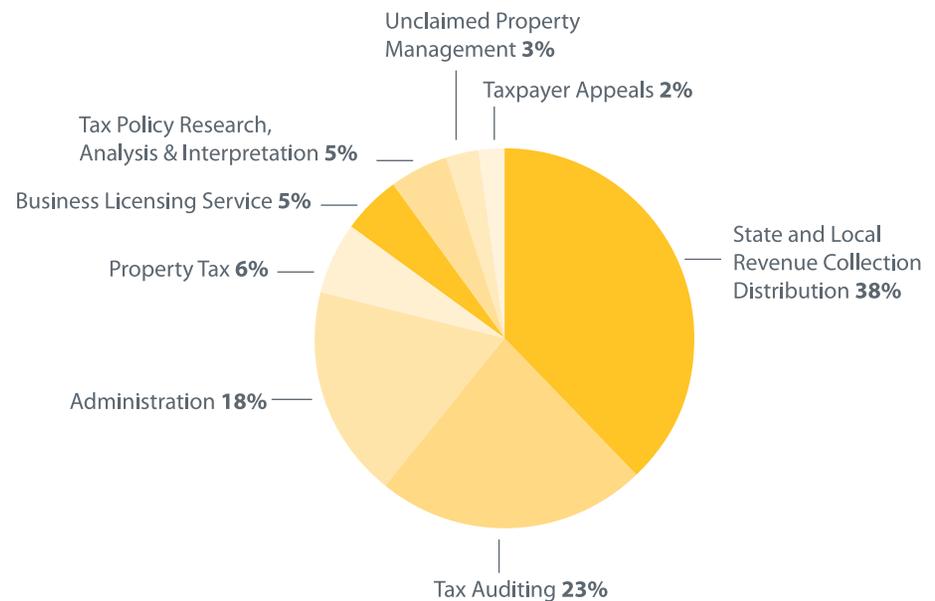


## Agency Activities for the Priorities of Government (POG)

POG is an approach for prioritization of activities, creating a strategic framework for investment decisions used to guide the Governor's budget proposal to the Legislature and to communicate that budget to the public.

### Revenue has eight (8) activities:

- ▶ *State and Local Revenue Collection and Distribution (38%)*
- ▶ *Tax Auditing (23%)*
- ▶ *Administration (18%)*
- ▶ *Property Tax (6%)*
- ▶ *Business Licensing Service (5%)*
- ▶ *Tax Policy Research, Analysis and Interpretation (5%)*
- ▶ *Unclaimed Property Management (3%)*
- ▶ *Taxpayer Appeals (2%)*



\* Estimated percent of total biennial budget



## **Statutory Authority**

Activities of the Washington State Department of Revenue are authorized by the Revised Code of Washington (RCW), titles 82, 84 and other miscellaneous ancillary tax laws. Because the Washington State tax system is based largely on voluntary compliance, taxpayers also have the responsibility to inform themselves about applicable tax laws. Statutory rights and responsibilities for taxpayers is included in the Revised Code of Washington (RCW) 82.32A.



