



Unemployment Insurance Tax Modernization

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EXECUTIVE SUMMARY

The Illinois Department of Employment Security (IDES) collects the largest volume of business tax in the State of Illinois: Unemployment Insurance (UI) Tax. Annually IDES has over 2.4 million “touches” with their taxpaying customers—employers and third-party payroll service providers—related to UI wage reporting and payment processing. Yet, the applications IDES used to administer UI Tax were, in some cases, over 25 years old, costly to maintain, not easy to adapt to changing statutes and regulations, and were a challenge for customers to navigate. Internally, agency staff had to interact with multiple applications to administer the UI Tax program and support their customers’ needs. Externally, customers had limited electronic self-service options. IDES had entire business processes built around paper and outdated technology. Change was needed on all levels to improve customer service and the overall customer experience. IDES needed to move to a 21st century platform.

When exploring solutions, IDES realized the Illinois Department of Revenue (IDOR) already had an application, GenTax, and the customer facing e-Services portal, MyTax Illinois, that could achieve IDES's goals while maintaining their separate legislative and fiduciary responsibilities. Illinois was also embarking on a statewide digital transformation, which included centralizing IT services and personnel into one agency—Illinois Department of Innovation and Technology (DoIT)—and encouraging multi-agency initiatives, an enterprise approach to technology, and improving efficiencies across state government. This transformation made it possible for IDES, IDOR, and DoIT to launch a unique collaboration to modernize the UI Tax program into a proven, state-of-the-art application. This modernization project significantly reduced IDES' costs, risks and timeline to realize results when compared to other options, such as a stand-alone implementation or custom development project.

The 14-month UI Tax modernization project completed on schedule and on budget in September 2017. GenTax and MyTax Illinois significantly improved IDES' ability to process incoming reports and payments and improve their level of customer support. Over 50 percent of previous paper filers are now filing electronically. IDES achieved an estimated savings of over \$800,000 annually through the elimination of paper-based processes and reduced IT support costs. Customers have one-stop access to register for and administer all their State of Illinois taxes and numerous new self-service features in MyTax Illinois.

Due to this transformative project, the State of Illinois is positioned to enjoy multiple benefits of the IDES and IDOR partnership, a few of which include:

- Consolidated and shared services, including mail and print operations and IT maintenance, which allows both agencies to have reduced operational overhead.
- Created a foundation for future modernization and growth opportunities. Services and features created for tax administration by one agency can be easily adapted for the needs of the other agency. For example, IDOR launched a Statewide Tax Lien Registry using GenTax and MyTax Illinois which will save the department \$700,000 annually in fees and labor. Pending legislative approval, IDES will join the lien registry for similar benefits.
- Increased collections, customer compliance, and fraud prevention efforts. IDES collected over \$1 million in new revenues in less than six months with the implementation of the Treasury Offset Program (TOP). IDOR has years of experience in advanced fraud detection and analytics that will assist IDES in their program development.

CONCEPT

Adding UI Tax to MyTax Illinois and GenTax was vital to IDES business operations. This project replaced five legacy applications—three of which were mainframe technologies, some over 25 years old—which were failing and unable to support current UI Tax administrative processes and state and federal law. These legacy applications were used to administer UI Tax for over 300,000 businesses in the State of Illinois.

For a number of years, IDES was unable to invest in improving the legacy UI Tax applications and could only perform minimum maintenance. Resources were occupied in upgrading IDES' UI Benefits application to provide better customer experiences and improved staff efficiencies. IDES is still making further investments into the UI Benefits application. Due to the degrading infrastructure of the UI Tax applications and lack of resources to support them, customers' experience with the agency suffered.

In 2014, IDES the State of Illinois underwent executive change and the administration made upgrading the technology that supports UI Tax, one of the agency's critical business operations, a top priority. IDES began researching options and started exploring a partnership with IDOR. Through this partnership, IDES leveraged a clause in an existing contract IDOR had with a vendor—FAST Enterprises, LLC (FAST)—to implement FAST's UI Tax module into GenTax, a commercial off-the-shelf integrated tax processing software package. IDOR has been using GenTax to administer over 100 taxes and fees since 2007. This innovative and collaborative approach simplified procurement and brought significant cost savings to IDES and the State of Illinois. IDES estimates that project costs may have doubled or more if they purchased a stand-alone application or embarked on a custom development project. In July 2016, the 14-month project to implement UI Tax into GenTax started. This project included a unique collaboration between three state agencies—IDES, IDOR, and DoIT—and the vendor, FAST. In addition to implementing UI Tax, the project upgraded the existing GenTax installation at IDOR from version 9 of the software to version 10, the most current version of the software on the market at the time. By January 2017, IDOR was using GenTax version 10. UI Tax launched in September 2017 in GenTax and MyTax Illinois—Illinois' centralized website using the GenTax e-Services functionality where taxpayers can register with IDOR and IDES, electronically file tax returns, make payments, and manage their tax accounts. This 14-month, fixed price project was completed on schedule and on budget.

The successful execution of the project required close collaboration between IDES, IDOR, DoIT, and the vendor, FAST. Two teams were created to accommodate the 200+ mile geographic split between Chicago, IL—home of IDES—and Springfield, IL—home of IDOR. The Chicago team included personnel from IDES, DoIT, and FAST and the Springfield team included personnel from IDOR, DoIT, and FAST. Clear separation of responsibilities and regular communication between the teams were critical components to the project's success. The Springfield Team executed the version 10 GenTax software upgrade, hardware upgrades to the application and database servers, testing of IDOR business processes, and training of IDOR users. The Chicago Team executed the configuration of UI Tax into the GenTax software, external communications, testing of IDES business processes, and training of IDES users. IDES and IDOR also partnered in an extensive data conversion and cleanup effort to merge IDES business demographic data from legacy applications into GenTax. This effort included review and correction of over 27,000 federal employer identification numbers (FEINs). To stay connected, the teams frequently engaged in conference calls, video conferencing, webinars, and face-to-face meetings.

A key component of the project's success was use of an iterative implementation methodology. Using iterative cycles, project developers involved business users early and often, received feedback, made corrections, and improved the delivered results. Within only a few weeks, IDES business users were "playing" with a functioning UI Tax application.

This approach to software delivery allowed the business to see early and frequent progress from project developers. It also enabled business users on the project to interact with their emerging application daily and quickly become experts.

The UI Tax modernization project affected internal agency users and external users. To inform and prepare all stakeholders for the launch of UI Tax in GenTax (internal users) and MyTax Illinois (external users), communication plans were prepared for both.

Internally, agency staff attended regular “Open House” meetings where project subject matter experts (SMEs)—agency personnel assigned full-time to the project—gave demonstrations of application functionality, reviewed business process changes, and answered questions. SMEs also delivered weekly “take home” briefings to their business units and management to share regular project updates, decisions, process impacts, and milestones. The project contributed regular posts to the IDES intranet and leveraged email blasts to share focused messages to agency staff. During the build up to the application’s Go Live, the project issued bi-monthly project newsletters with article contributions from SMEs and IDES’s director. These communications reached over 1,000 agency users spread across over 50 locations throughout Illinois.

At time of launch, the project team provided “deskside” support services to the agency users. Deskside support was provided by roaming application experts—a broad network of SMEs, IT staff, and trainers developed throughout the course of the project—located on-site with agency users who were dedicated to answering questions and assisting agency staff. A dedicated “Hotline” support telephone number was established for users to have a support staff dispatched directly to their location.

Externally, a campaign of “early and often” communication was deployed to notify agency customers of the coming application changes and agency services. Notices were placed onto the legacy e-Filing application alerting customers to the coming changes. These notices were regularly updated with each tax filing and payment due date, so customers would receive fresh, up-to-date information. IDES leveraged several existing mailings and issued several project specific mailings to include project information—such as the MyTax Illinois Go Live date, instructions on how to transition to MyTax Illinois, and notices of upcoming process and service changes. IDES conducted a usability study with customers to receive and apply feedback to ensure MyTax Illinois was customer friendly. IDES also engaged in a word-of-mouth campaign by attending business association chapter meetings, conferences, and fairs to share information with the business community. This plan ensured customers received information through multiple channels. At Go Live, over 200,000 businesses successfully transitioned from the legacy e-Filing application into MyTax Illinois. IDES experienced no decline in e-Service customer compliance. Rather, e-Service compliance significantly increased by over 13 percent within the first quarter. Over 50 percent of customers who were filing by paper in the legacy applications changed to filing electronically in MyTax Illinois.

SIGNIFICANCE

The UI Tax modernization project brought together three State of Illinois agencies and FAST, for the common goal of improving the interaction between the State of Illinois and all Illinois businesses. The significance of a project this size can be measured both in terms of immediate impact and long-term sustainability.

Once implemented, customers were immediately able to access MyTax Illinois to efficiently and securely exchange information with IDES. Customers now have one-stop registration process and access for all State of Illinois taxes in one application. Correspondence can now be viewed online and customers have other new self-service options such as requesting a refund, viewing annual rates, maintaining a power of attorney relationship, and updating the customer’s

account information. This project changed IDES' business model from only providing basic support to providing true customer self-sufficiency.

GenTax and MyTax Illinois use best-practice security designs to protect customer data. Personally identifiable information (PII) for employees, such as social security numbers (SSNs), is masked when viewed in MyTax Illinois. These applications transmit data using encrypted communication protocols and network identification security. Additionally, IDES implemented a "clean desk" policy and eliminated unnecessary use of paper with PII. For example, in the legacy applications, IDES mailed preprinted paper wage report packets to customers with unmasked SSNs for all their employees. The UI Tax modernization project eliminated this mailing.

Legacy applications consistently stored old, outdated, or incorrect information. As part of this project, invalid customer accounts were identified and never transferred into GenTax. Over 27,000 customer UI Tax accounts with missing or mismatched FEINs were cleansed before conversion into GenTax. Merging IDES and IDOR data proved extremely beneficial, especially in data cross-match programs with other state and federal agencies, such as the Internal Revenue Service (IRS).

The project created a healthy working relationship between the three agencies based on open dialogue, a common goal, and a structured decision-making process. The relationship and common technology platform created many functional synergies and significant efficiencies including:

- One application that processes all tax returns and payments for both agencies.
- DoIT staff use the same technical skill set and technology platform to support both IDES and IDOR business operations.
- IDES now uses IDOR's central print and mail operations for faster, less costly correspondence delivery.
- Better management of application service pack and version upgrades ensures both agencies have access to new software features.
- Ongoing discussions for future opportunities related to shared tax collections, improved cross agency fraud detection and prevention efforts, and IDES joining the Statewide Tax Lien Registry.
- Reduced IT related support costs through shared resources and datacenter.

The size and far reaching effects of this project, positively changed the culture of IDES. The notion of "have to do" was replaced with an attitude of "can do" and "let's do it better." Cultural changes may not always be quantifiable, but they do set the stage for long-term success. Even now, eight months after implementation, staff from IDOR, IDES, and DoIT are continuing to reengineer business processes, apply software enhancements, and innovate more e-Service options for customers. This new attitude and approach is all based on the ideas, passion, and energy generated from this project.

Additionally, IDES Hotline staff's ability to support customer questions and concerns has significantly improved. Previously, Hotline staff had to access multiple legacy applications to understand and address a customer's situation. Now, all the customer's information is contained within GenTax. GenTax also offers staff the ability to view the customer's screen in tandem which addresses the age-old comment from a customer "I'm not sure what I just did."

IMPACT

GenTax and MyTax Illinois have been in production for UI Tax processing since September 2017. New MyTax Illinois features have improved the overall customer experience by making more content available online and by providing automated options that simplified previous paper-based processes.

IDES Benefits

- IDES is expecting to see savings of over \$800,000 annually.
 - IDES immediately reduced annual printing and mailing expenses by over \$400,000 related to the elimination of the paper wage report packets that were mailed quarterly. Customers can easily file their wage reports online through MyTax Illinois.
 - Reductions of approximately \$250,000 annually are expected related to the significant decrease of several manually intensive paper-based processes. Over 50,000 customers transitioned from filing paper wage reports to filing online through MyTax Illinois. This represents a 50 percent reduction in the amount of paper wage reports from 400,000 a year to 200,000 a year. The processing of paper checks decreased by 60 percent from 525,000 a year to 200,000 a year. This has been offset by an increase in electronic payment processing through MyTax Illinois.
 - Annual savings of over \$160,000 are expected from the replacement of the legacy applications.
- IDES is now participating in the Treasury Offset Program (TOP). TOP is a federal offset program that disburses federal payments, such as federal tax refunds, to creditor agencies like IDES who are owed monies by delinquent taxpayers. In less than six months, TOP notice mailings and actual TOP offsets resulted in over \$1 million in collections.
- IDES staff have been trained and now have access to the latest software platform replacing multiple legacy applications that were over 25 years old. Workflow processes were re-engineered to improve staff processing efficiency.

Customer Benefits

- The expanded suite of e-Service options in MyTax Illinois further reduced the number of paper forms submitted to IDES for manual processing and empowered customers to complete more transactions online.
 - Customers can now manage all State of Illinois taxes through one website, MyTax Illinois. Previously, customers had to navigate separate applications for each state agency.
 - New Illinois businesses can now register in one location through MyTax Illinois for both IDOR and IDES. Previously, a new business had to work with each agency separately.
 - 50,000 customers stopped using paper and now submit their quarterly wage reports and make their payments online through MyTax Illinois reducing the customer's workload and improving the accuracy of their reporting.
- Customers can now see their correspondence online. Every letter sent to customers was reviewed and either eliminated or rewritten to follow plain language guidelines. IDES had over 300 pieces of correspondence and consolidated it down to only 115. Agency business, printing, and mailing processes were modernized to improve the timeliness for generating and mailing correspondence. For example, customers used to receive their first bill anywhere from 6 to 18 months after payment was originally due. With the new processes, customers receive their first bill within 45 days.
- Other modernized and expanded e-Services options were offered to customers. MyTax Illinois enabled IDES to offer dozens of self-service features to administer UI Tax such as one-stop registration, electronic notifications and access to e-Correspondence, filing and paying of UI Tax, request refunds, request extensions, State

Information Data Exchange System (SIDES) registration, power of attorney maintenance, and access to up-to-date tax rates and account balances.

- MyTax Illinois can be displayed using ADA-compliant features incorporated into the latest versions of major web browsers.

The UI Tax modernization project produced significant results. In addition to the annual expense savings, IDES changed its core business model and culture. The effect was immediate. The improved interactions with customers was substantial. Previously, using the legacy applications, IDES provided only basic levels of support to customers. Entire business processes were built around outdated technology. It was inefficient and expensive for all involved.

Adding UI Tax to MyTax Illinois created an environment of true self-sufficiency for customers. Customers now interact with both IDOR and IDES through one easy-to-use application. A customer can register their business, file their wage reports, pay their taxes, receive and review all correspondence, and interact with both agencies all online. This project is a significant service delivery accomplishment involving multiple highly matrixed governmental agencies. With the project's completion, the State of Illinois has vastly improved the Government to Business working relationship.