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Revenue officials continue upgrade of computer system

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By MIKE DENNISON Tribune Capitol Bureau

HELENA - State revenue officials took another step Monday toward replacing a failed computerized tax-collection system, announcing they'll expand a new system to include individual and business income taxes.

Don Hoffman, acting director of the Revenue Department, said the state signed a \$7 million contract with Fast Enterprises to expand the new system.

The new contract allows Fast Enterprises to continue work it started last year, installing most of Montana's major taxes on new tax-collection software developed by the company.

Hoffman predicted once the new system is complete late next year, its tax-tracking ability will help the state identify people and/or businesses that are not paying taxes, but should be.

"Beyond the obvious question of fairness, we are pursuing a path that allows (the system) to help pay for itself through additional revenues from enhanced taxpayer compliance," he said.

The new system will replace most of the disastrous POINTS system, which cost the state more than \$50 million before it was halted last year.

The state spent \$32 million on developing POINTS, which never worked properly. Revenue officials also say problems with POINTS probably cost the state at least \$20 million in tax collections.

The 2003 Legislature, with the support of the Martz administration, decided to pull the plug on POINTS and authorize a new system whose cost is approaching \$20 million.

Gov. Judy Martz Monday praised the progress being made on the new system.

"Smooth and efficient tax tracking is a critical service that benefits every Montanan," she said in a statement.

The president of a major taxpayers' lobby also said it's good news that the state will be placing individual and corporate income taxes on the new system.

"We're quite pleased that the system is ahead of schedule, under cost and that they can bring on those two major tax systems with the money originally budgeted," said Mary Whittinghill of the Montana Taxpayers Association, which primarily represents business taxpayers.

"It's very positive for the taxpayers of Montana," she continued. "We can make sure (tax) collections are accurate, that payments are reported accurately, and that taxpayer dollars spent on the system are getting the best return on our investment."

Corporate taxes should be on the system by January and individual income taxes are scheduled to be complete by September 2005.

Fast Enterprises, based in Boise, Idaho, develops and installs tax-tracking computer software for government tax agencies.

The state hired Fast Enterprises last year to begin work on a new "integrated" system that could track all taxes collected by the Revenue Department.

Fast Enterprises won an \$8 million contract to install and adapt its software for five Montana taxes: Rental car, tobacco, lodging, income-tax withholding by business and oil-and-gas.

An integrated system allows the state to use one system to track all taxes paid and/or owed by a single customer.

Work on the five initial taxes is nearly complete.

On Monday, the state announced an additional \$7 million contract with Fast Enterprises to weave individual and corporate income taxes into the new tax-collection software.

Hoffman said the state also will spend an additional \$4 million to \$5 million on related expenses for the new system, pushing the total cost to nearly \$20 million, which is slightly under budget.

Three months ago, revenue officials said they wanted to extend Fast Enterprise's original contract to do the corporate and individual income taxes, but were reluctant to do so without legislative approval.

At a June meeting of the Legislative Finance Committee, lawmaker urged the Revenue Department to go forward, and not halt work after the first phase.

"That was the nudge that everybody needed," Hoffman said.

Still, a few taxes will remain on the old POINTS system, he added. The department may ask the 2005 Legislature for more money to transfer those to the new system. The latest cost estimate for this final step is about \$4 million, Hoffman said.

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