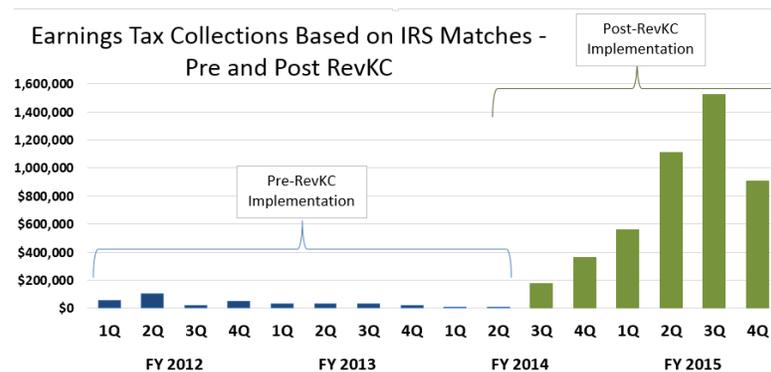




## When Software and Taxes Hook Up

By: Julie Steenson, Office of Performance Management

Unless you are an accountant, taxes are probably not very sexy to you; and unless you are in IT, software implementation can be a real snooze. However, today's post focuses on a time when these two topics converged to create a seriously impactful data story.



Since launching its new integrated revenue system called RevKC, in June 2013, the City of Kansas City, Missouri has experienced a significant increase in the collection of earnings taxes from delinquent taxpayers; more than \$4,636,758 since the fall of 2014. In perspective, for the same time period (six quarters of data) in the previous fiscal years, the city only collected \$189,398. That's an increase of \$4.4 million!

This is all because the new system RevKC does something that could not previously be easily done by the City's Revenue staff –automatically match City taxpayer records to the Internal Revenue Service (IRS) database.

Matching to the IRS data is important because it helps truly hone in on individuals and businesses who have failed to pay their earnings tax. “The City is poised to track down thousands of individuals and businesses who owe back taxes,” said Commissioner of Revenue Mari Ruck. “The computer records from the IRS allow the City to compare City tax records with what is reported to the IRS. The IRS has more complete return information and fewer tax evaders.”

Here's how it works: when the city receives IRS data, the extracts (which is the name of the files that we receive) contain information on everyone (individual and business) who should have paid taxes in KCMO zip codes and the entire metro area for each tax year. Revenue analysts take that information into their data warehouse and using various business rules filter the data to isolate only those taxpayers who either were not withheld by their employer or have not filed their taxes independently on their own. The goal is to identify a “good” lead on somebody who did not pay or whose company did not withhold their e-tax. For instance, if you work for an employer who withholds your e-tax and remits it to the city, your employer is “required” to send the city copies of the w-2s listing all the employees that they withhold on. Sometimes the employer does not send us the w-2s. The business rules built into the IRS matches, analysts filter out:

- all the w-2's that have been sent in,
- all the independent wage returns filed,

And check that:

- wage returns filed match the wages that the IRS sends (so if someone had a second job, both jobs were withholding),
- individuals who the IRS shows worked for an employer from whom the city received withholding but did not send us w-2s, etc..

Essentially every business rule is an attempt to isolate only those individuals who are actually delinquent on their e-tax; when notices go out, RevKC and the IRS matches give the city confidence that we are only sending it to taxpayers with an actual obligation. If we did not filter, we would get a have a lot of false leads that would lead to a lot of complaints. Nobody wants to get a notice saying they owe taxes when they don't!

Prior to RevKC, the city did have raw data from the IRS, but no programming was in place to do the sophisticated matching. Each and every match was manually reviewed before any notice was sent. It took a lot of time. But it was necessary to avoid false leads.

Now these matches are automated; staff only need check that the business rules are correct and then send the notices.

What this ultimately means is this: individuals or businesses are now being notified of their delinquent taxes in a more reliable way. Obviously, it is working because e-tax collections have gone up since the system was implemented. This means that the city has more resources to provide the services that are necessary to keep our community safe, clean and thriving...and if that isn't sexy, I don't know what is.

SOURCE: <http://kcmo.gov/data/2015/06/25/when-software-and-taxes-hook-up/>