

Mike Cote's Business Editor's Notebook: New state tax collection system will leave the paper trail behind

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Lindsey Stepp, commissioner of the state Department of Revenue Administration, is overseeing a \$30 million overhaul of New Hampshire's tax collection system.

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Lindsey Stepp is used to ghosts lurking in the old surgical building that houses the Department of Revenue Administration, part of a campus once home to the state mental hospital. Lights go off mysteriously. Books fall off shelves. Despite the office's modern interior, spirits from a troubled past seem trapped within its walls.

In a few years, the DRA commissioner and her colleagues might be joined by a new ghost when the department's ancient computer system is finally put to rest, thanks to a \$30 million project that will propel New Hampshire's tax collection system into the 21st century.

On Oct. 31, Gov. Chris Sununu and the Executive Council approved a \$29,550,000 contract with Fast Enterprises, a Colorado-based company that has set up its GenTax revenue information management systems in more than two dozen states, including Vermont and Massachusetts.

While the state's existing system houses New Hampshire's three major tax types – business taxes, interest and dividends, and meals and rooms and vehicle rentals – the state's other taxes are scattered elsewhere.

"This new system will house all of our taxes in one system. So you'll be able to see everything together," said Stepp, who became the department's first female commissioner a year ago.

The project's first phase will be devoted to the meals, rooms and vehicle rentals tax, which is expected to be completed in a year. Business taxes and the interest and dividends tax, will follow in year two, and the rest in year three.

The Department of Revenue Administration collects about 80 percent of the state's general taxes. During fiscal year 2018, the DRA collected \$2.3 billion, most of which went to the General Fund and Education Trust Fund. When Stepp joined the department in 2010, the state's tax system already seemed ancient.

"I remember coming in, and on my first day, pulling up our tax system, and it was a black and green screen," Stepp said last week at her office. "I remember asking about the system, and the commissioner at the time saying, 'It's a 30-year-old system. We've been working with the Legislature to modernize.' That was in 2010, and then in June of 2016, we finally got the appropriation. So it's a process."

With the new system, taxpayers will have the kind of access to information they have long enjoyed from banks, utilities and credit card companies. Right now, if business owners want to check the status of their state tax accounts, they need to call the department.

"There will be a web portal with our new system that will allow taxpayers to log on and view their account very similar to viewing your bank account," Stepp said. "You'll be able to log on and see your payments, see your return-filing histories. And you'll also be able to grant access to your tax preparer or tax practitioner if you so choose. And their access will be able to be customized as well."

Under the contract, employees from Fast Enterprises will be deployed to the Granite State for the next three years, working alongside department staff.

"They are just starting to arrive. They going to have 17 leads, and then additional folks coming in. We're anticipating between 20 to 30 'Fasties' when the project's fully underway," Stepp said.

"Luckily we have plenty of space in this building so we redid a whole area for them. And then the folks from our team that will be working with them will also have seats in that part of the building as well."

As part of the project, the governor and Executive Council approved a \$339,000 contract with Berry, Dunn, McNeil & Parker, an accounting firm based in Portland, Maine, that will oversee the conversion.

"They'll be looking at the vendor's performance against the contract, but they'll also be looking at how DRA is adapting to the new technology and helping ensure that we're using it to its abilities and making sure we don't get too stuck in our old ways of doing things."

While New Hampshire's adoption of a modern tax collection system is long overdue, being among the last has its advantages. Stepp's team visited Vermont to see how their Fast system works, and she's been in contact with tax collection officials in Massachusetts.

"One of the nice things is, Fast has user groups that can share feedback, ask questions. It's really like a big community," Stepp said. "We're probably small compared to some of the larger states that they've done. But it's nice to have a proven product that we know other states have used that operates well."

Stepp and her colleagues have been preparing for the conversion for years. In 2011, the department installed a barcode system that allows a scanner to read paper tax forms through character recognition.

"Other states did it at the same time that they were implementing their modern tax system, and that felt like a lot to do," she said. "So we're fortunate that our front-end end processing is modern, and now we're working basically on the back-end processing."

Expect the new system to linger — perhaps for as long as those ghosts.

"The goal here is for this system to be around for some period of time — I'm not going through this process again a few years down the road," Stepp said.

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