IBM Intelligent Forms Processing Services Offering -
North Carolina Department of Revenue

North Carolina Processes Tax Returns In Record Time!
Tax year 2000 was North Carolina Department of Revenue’s (NC DOR) first full season using IBM’s Intelligent Forms Processing (IFP) Services Offering to process tax returns. The NC DOR completed processing of refund returns by May 11, 2001, weeks before previous years. Another record was set when the NC DOR completed all returns with errors and under review by May 31, thus avoiding payment of interest on refund returns; something that has never happened in the State’s history! It is expected that such performance will allow NC DOR to beat original forecasts of a 50-month payback period and a benefit of $7.4 million saved in the first full year of operation.

IBM Modernizes the North Carolina Tax Collection Process
NC DOR has been using technology to increase the efficiency of the taxation process for several years. Consistent with its commitment to interact more effectively with citizens, NC DOR is also implementing innovative and far reaching initiatives to improve its internal efficiencies, reduce costs, and increase the speed of processing. One major initiative is the NC DOR Electronic Document Management (EDM) project with IBM which includes both automated data capture from tax forms and remittance processing of tax vouchers and checks. This project is the most complex data capture project among the 50 state tax agencies. The EDM project was initiated for two primary reasons: 1) to replace a non-compliant Y2K remittance processing system and 2) to automate the capture of taxpayer data that would result in improved processing efficiencies and customer service.

The System
The new EDM system includes IBM Intelligent Forms Processing software, IBM RS/6000 AIX DB2 servers, an RS/6000 Archive server, an RS/6000 backup server, IBM Netfinity NT file servers and image storage units, BancTec E-Series Encoder/Sorters, BancTec S-Series large document scanners with SpeedFirst software, multiple forms processing and CAR/LAR OCR/ICR engines, three optical jukeboxes, a backup tape library subsystem, 300 end-user PC workstations, and Bay Networks Accelar and BayStack 450 switches on a 100 Mbps Ethernet LAN.

The data capture component of the EDM system is an innovative approach to bridging the gap between paper and electronic filing without losing efficiency or needing to re-invent processes and systems. The remittance component includes remittance and document data capture to process coupon-size payment vouchers and tax returns with scan lines and accompanying checks. Check segregation and batch balances for deposit to different NC banks is done automatically. The software uses barcodes to identify forms. The large document component of EDM processes paper returns (8.5” x 11”) and payment vouchers that cannot be scanned by the remittance system (without scan lines). Data that is captured by all of the...
EDM components is loaded directly into the NC Integrated Tax Administration System (ITAS) database for subsequent workflow and audit processing of the information.

**Benefits Realized**
The EDM project enables tax refunds to be processed more quickly, increasing customer service to taxpayers. It also processes tax payments more quickly in a time of budgetary crisis where tax collections are being watched and measured extremely closely. The images of the tax forms, after they are processed, are immediately available to the entire NC DOR organization, allowing them to provide more effective and timely taxpayer assistance, reduce fraud, and assist audit efforts. During the 2001 tax season, the processing of refund returns and the deposit of payments were current on a daily basis throughout the tax season, and funds received by the April 16, 2001 tax return deadline were deposited days sooner than in previous years.

The ability to identify information regarding the type and source of the forms received by the NC DOR (e.g., 3rd-party software vendor forms) will enable NC DOR to reduce the volume of forms printed and distributed to taxpayers who do not need them. Also, the NC DOR is able to work with vendors to improve the form design to ensure the maximum efficiency by the capture system and to identify vendors who do not comply with the specifications. The speedy processing of refunds has assisted the NC DOR in restoring public confidence in the agency.

In the past, NC DOR has to divert staff to manually process tax return payments and expedite deposits to banks because of the tremendous volumes of returns received in April each year. The new remittance processing component of EDM is so efficient at processing payments, minimal staff was required in manual payment processing this year. As a result, all payments received in April were deposited into the bank on or before April 30. In years past, this was delayed a number of days into May.

With images available from the EDM project, the NC DOR tax call center support operators can immediately view images of tax forms and usually provide information and process status on the return to taxpayers. NC DOR is able to answer more calls, reduce the number of callbacks, and requires fewer people to be involved in resolving questions. Prior to the EDM project, if the copy of a tax return was needed to address a taxpayer question, it had to be retrieved from Central Files, followed by one or more calls back to the taxpayer. This process normally took several days to complete if the return could be found. Returns that were being processed though the old data-entry method could not be located. The new EDM system substantially reduces the processing time normally to one day.

These same benefits are also available to NC DOR audit staff and field office personnel who provide taxpayer assistance in their offices remote from the Raleigh headquarters where the EDM system is installed.

Such benefits have allowed NC DOR to meet its statutory responsibilities and become more efficient, while providing better service to the taxpaying citizens of North Carolina.

For additional information contact your IBM marketing representative or visit the IFP web site at [www.clearlake.ibm.com/gov/ifp](http://www.clearlake.ibm.com/gov/ifp)

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