NCDOR NORTH CAROLINA DEPARTMENT OF REVENUE



Integrated Tax System Modernization Project Status Report

August 1, 2025

Joint Legislative Oversight Committee on General Government

Senate Appropriations Committee on General Government and Information Technology

House of Representatives Appropriations Committee on General Government

Fiscal Research Division

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Legislative Request

This report is submitted pursuant to Section 34.9(d) of S.L. 2023-134, which directed the N C Department of Revenue to provide a report to the Joint Legislative Oversight Committee on General Government, the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, and the Fiscal Research Division.

DOR/MODERNIZED INTEGRATED TAX SYSTEM

SECTION 34.9.(a) Of the funds appropriated in this act to the Department of Revenue, the Department shall use the sum of twenty-five million dollars ($25,000,000) in nonrecurring funds for each fiscal year of the 2023-2025 fiscal biennium to develop and implement a modernized integrated tax system. The provisions of Part 4 of Article 15 of Chapter 143B of the General Statutes shall apply to the Department's procurement of information technology under this section, including the provisions related to the issuance of requests for proposals; provided, however, in its solicitation for requests for proposals for the modernized integrated tax system, the Department shall accept for evaluation proposals from vendors who have developed, marketed, or deployed an integrated tax system solution, in whole or in part, that is of a similar size and complexity as the tax system administered by the Department. To encourage innovative and new solutions, the Department shall also accept proposals from vendors who have experience in deploying enterprise systems of a similar size and complexity as the tax system administered by the Department even if the system is not an integrated tax system. The Department shall not require bidders to have existing integrated tax systems in production environments.

SECTION 34.9.(b) The funds appropriated in this act to the Department of Revenue for each fiscal year of the 2023-2025 fiscal biennium for the modernized integrated tax system shall be certified in a new fund code in Budget Code 24708. The new fund code shall be used only for the receipts and expenditures for the modernized integrated tax system authorized in this section until the system is fully implemented.

SECTION 34.9.(d) Not later than February 1 and August 1 of each year until the completion of the implementation of the modernized integrated tax system authorized in this section, the Department of Revenue shall report to the Joint Legislative Oversight Committee on General Government, the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Appropriations Committee on General Government, and the Fiscal Research Division on all of the following:

(1) A detailed project description.
(2) A detailed project timeline, including milestones and deliverables and progress in achieving them.
(3) The project management plan.
(4) The process used for issuing requests for proposals.
(5) A detailed budget and year-to-date expenditures.
(6) The anticipated completion date for full implementation of the modernized integrated tax system.

Executive Summary

The Integrated Tax Administration System (ITAS) has been in use within the State of North Carolina for more than 25 years. In addition, the Public Sector Revenue Management (PSRM) system was implemented in 2013 and manages a small number of smaller tax types. Over time systems and applications have been developed separately and interfaced with the main tax system to provide additional functionality and services such as Refund Fraud.

Agency representatives visited 5 states including South Carolina, Tennessee, Kentucky, Rhode Island and Pennsylvania to learn about their tax system modernization initiatives. Information gathered from these visits was used to estimate the project cost and continues to be used during development of the request for proposal and project planning.

NCDOR requested funding in 2023 to replace the Integrated Tax Information System (ITAS) and an array of legacy systems with a modern system that is customer centric, meets diverse needs of various agency constituencies and satisfies the business needs of NCDOR. The legacy system is becoming more difficult to support and the risk of operational interruptions is increasing. While the legacy system functions as it was originally designed, there are constraints when trying to make legislative changes and current systems limit the ability to provide online and electronic services taxpayers expect. Through a new, modernized tax administration system, NCDOR anticipates realizing the following operational benefits:

- **Reduced Risk** of technological obsolescence via a more modern technical platform. Minimize risks associated with recruiting and retaining an adequate workforce to support a critical system for processing state tax revenues.

- **Processing Efficiencies** through enhanced electronic services for submitting returns and payments for all tax types resulting in less need for handling paper and less manual intervention to correct errors; provide additional automation for recurring manual processes.

- **Enhanced Customer Service** realized by an integrated taxpayer portal that allows taxpayers to look up account information, set up payment plans, and review electronic transactions and communications such as prior tax filings, payments and correspondence. Improved usability of the system that makes it easier for staff to look up taxpayer records, see prior taxpayer interactions and answer questions quickly, improving customer service.

- **Timely System Changes** provided for legislative changes, mandates and other requirements that necessitate software updates to meet statutory requirements. Be flexible and scalable to support ongoing enhancements and changes necessary for the administration of the tax programs.

- **Information Security and Compliance** by enhancing system and data security, fraud detection and internal controls in order to meet all IRS, federal and state compliance requirements.

- **Improved Taxpayer and Revenue Accounting** through defined relationships of all data supporting the tax administration process to ensure completeness and reconcilability of accounting data for both the taxpayer and revenue accounting functions.

Project Timeline

The project is currently in the procurement phase. Upon selection of a vendor, an implementation project timeline will be developed including milestones.

NCDOR engaged Gartner to assist in developing the Request for Proposal (RFP) package and provide procurement support through contract award. The RFP was posted on March 5, 2025. The schedule below has been updated accordingly.

Milestone	Target/Actual Completion Date	Status
Request for Proposal (Draft)	September 24, 2024	Complete
Request for Proposal Review, Revisions and Approval to Post (DOR/DIT)	February 28, 2025	Complete
Request for Proposal Posted	March 5, 2025	Complete
Vendor Questions Received and Responses Posted	April 11, 2025	Complete
Vendor Responses Received	May 16, 2025	Complete
Vendor Response Review, Oral Presentations, Vendor Selection and Best and Final Offer Negotiations	October 31, 2025	In progress
Contract Award	December 19, 2025	

Project Management Plan

During the procurement phase of the project, the NCDOR Chief Deputy Secretary of Enterprise Services is managing activities supporting development of the RFP through contract award along with agency readiness activities. The Chief Information Officer is focusing on the technical infrastructure to support the new tax application, including information security, and review and update of IT processes to accommodate the new tax system.

NCDOR engaged Gartner to complete a NCDOR Readiness Assessment and Roadmap. Agency readiness was evaluated by surveying agency leaders focusing on 8 areas:

- Strategy and Business Value
- People
- Procurement
- Organizational Change
- Architecture and Technology
- Finance
- Governance
- Tax and Revenue

Gartner analyzed survey results, applied their subject matter expertise in large tax system modernization projects and leveraged discussions with NCDOR strategic team members to deliver a roadmap focused on 8 critical areas:

- Project Management
- Project Governance
- RFP Development and Procurement
- Business Process Inventory
- Resource Planning
- Organizational Change Management
- Data Conversion
- Future Operations Model

NCDOR engaged Mathtech Inc. to assist with pre-contract award readiness activities based on the Gartner Readiness Assessment and Roadmap. Activities include:

- Establishment of a new Transformation Management Office
- Implementation of Tax System Modernization Program Governance
- Development of a Business Process Catalog
- Development of an Organizational Change Management Strategy and Training
- Preparation for Data Conversion
- Considerations for the Future Operations Model

Accomplishments This Period

- ✓ Request for Proposal posted and responses received
- ✓ Establishment of the Transformation Management Office (TMO)
- ✓ Development of the program governance structure
- ✓ Development of an Organizational Change Management Strategy
- ✓ Development of a Business Process Catalog
- ✓ Completion of 4 Organizational Change Management training sessions
- ✓ Drafted the Program Staffing Plan
- ✓ Procured ServiceNow Strategic Portfolio Management module to support the program
- ✓ Completed data quality review of Public Sector Revenue Management (PSRM) system data in preparation for data conversion

Activities In Progress or Planned

- Vendor selection and contract award
- Program governance implementation
- Updated program spending plan and forecast
- Continue work on the business process catalog and supporting documentation
- Identification of contract and permanent staff needed for the TMO within the next 6 months
- Plan organizational change management activities
- Focus on documenting program risks and developing risk mitigation plans
- Develop a data conversion strategy and begin data cleanup
- Continue cloud strategy development, infrastructure planning, and supporting preparation activities

Request for Proposal Process

NCDOR will abide by NCGS 143B-1350 Procurement of Information Technology. Content for the Request for Proposal was drafted by NCDOR staff. Gartner assisted with development of the RFP package and is providing procurement support through contract award.

Budget and Year to Date Expenditures

The estimated cost for the program is $158,331,000. The cost includes readiness activities and implementation of all tax types within scope of the program in the new tax system. The estimate includes system licensing, implementation services, maintenance, application support, hosting and data services as well as supplemental staffing and professional services to support program activities not provided by the tax system vendor. HB259 included $25,000,000 for each FY24 and FY25 years which is sufficient to support initial project activities.

Expenditures to Date

FY24 Expenditures	$270,000
FY25 Expenditures	$1,638,686.76
Amount Encumbered	$1,342,774.65

A more detailed spending plan and forecast will be available after contract award.

Implementation

Project implementation is expected to include 5 phases. Phases will be determined by groups of tax types. Assuming contract award will occur by December 2025, Phase I could be implemented by 2nd quarter 2027. If each additional phase is planned for a year, all phases of the project would be implemented by June 2031.

Once a vendor is selected, a project plan will be developed and could impact the anticipated completion date.