



North Carolina Department of Revenue

Roy Cooper
Governor

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DEPARTMENT OF REVENUE SYSTEMS PROJECTS UPDATE REPORT

October 1, 2023

Per Section 8.1.(b) of S.L. 2022-13 this report is being provided to the chairs of the House Appropriations Committee on General Government and the Senate Appropriations Committee on General Government and Information Technology and the Fiscal Research Division. This report provides an update on the following projects:

1. The Power of Attorney Registrations Project
2. The Collections Case Management Project & 4100 Replacement
3. Failure to Pay Penalty

Power of Attorney Registrations Project

Problem

There is a desire for all notices that are sent to taxpayers also be sent to any registered Power of Attorney (POA) for that tax type and period. In order to achieve that outcome two significant changes in technology need to occur: Capture of the POA registration in a structured, electronic format and Capture of all notices in a structured, electronic format. In order for the Department to automate the issuance of notices to any registered POA, all of the relevant information must be digital so it can be cross referenced. [e.g. notice of collections to TP, is there a POA lookup? If so, email the POA a copy of the notice]

Status

The first part of this transformation, the capture of the POA registration in a structured, electronic format is complete. The system was in full production as of 2/7/2022.

The second part of this transformation is underway.

- Planning continues for loading the PDF versions of the notices to the Document Management System for matching with the POA data.
- Development of a file transfer and exception process with NCDOR's print vendor for processing PDF versions of notices is underway.
- Document Management System
 - Statements of Work awarded to support project objectives:
 - RO - 1033 Exception Discovery
 - POA Advanced Revocation Development
 - POA and Notice Matching Discovery
 - DMS Test Environment
 - DMS Upgrade
 - Staff Augmentation (Required due to vacancies on the NCDOR technical team)
 - POA policy review complete.
 - RO-1033 Installment Payment Agreement Form work complete.
 - POA webfill form revisions in progress to support improved scan rates for paper submissions.
 - New POA webfill revocation form created. Development completed for the POA revocation process and capture of POA revocation data. Deployment to be scheduled.
 - POA and notice matching discovery and requirements definition in progress. A contract amendment for development will be initiated once requirements are final and quote provided.
 - Testing of a solution to scan and systematically capture data from the POA Form Gen-58 forms submitted via paper identified a vendor change needed. A contract amendment was approved and work is complete.



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- Working through operational and procedural changes required to support the new processes. Information to be shared with the NCACPA and other external entities prior to implementation.
- Based on the complexity of the POA and notice matching process and associated activities to ensure required data is captured to support matching, we anticipate that testing with a pilot group will not begin prior to late first quarter 2024.

Funding

The department was authorized to spend \$500,000 from the Collections Assistance Fee to implement the document management system and POA matching solution to send notice copies. To date, this amount has been spent or allocated through contract amendments. Based on estimates of the remaining development work, an additional amount of \$400,000 is needed to complete the project. Funding was included in the recent budget. An additional recurring amount of \$500,000 is needed for software licenses and maintenance. This amount was not included in the budget and discussions will need to occur to determine a viable funding source and impacts if a funding source cannot be identified.

Collections Case Management Project Status

Previously, we identified the Offer-In-Compromise (OIC) process within the collections workflow as our first work flow within the Collection Case Management project. We extended the existing contract to have the vendor gather all the requirements in order to implement the OIC process in the Document Management system. Due to the importance of making progress on the POA and notice matching initiative combined with difficulty retaining IT staff to support the document management system, collections case management work has been limited. With the focus on replacing the current tax processing system, this functionality will be included in the upcoming Request for Proposal for the new tax system.

IBM 4100 Replacement Project Status

The IBM 4100 printer is nearing end of life and needs to be replaced. This is a high-speed printer used to print checks and notices and is critical to DOR operations. The documentation of business and technical requirements is complete. The department plans to purchase two printers to replace the functionality provided by the 4100 printer. One printer will print reports and notices while the other will print checks using MICR technology. Purchasing two printers instead of a single device is more cost effective and allows for simultaneous printing of notices and checks. Final evaluation of the selected printers is underway along with associated procurement activities. The agency is determining if a new contract is required for paper stock.

Failure to Pay Penalty

In 2021, North Carolina General Assembly enacted new legislation effectively changing the current 10% failure to pay penalty to a graduated penalty with an effective date of January 1, 2022. NCDOR was unable to properly code the mainframe to satisfy the legislative requirement of the graduated penalty. We notified the General Assembly and this resulted in a modification to the legislation making the failure to pay penalty a flat 5% for tax assessed on or after January 1, 2023.

Currently, we have not implemented the failure to pay penalty to a flat 5% in the legacy system. User acceptance testing is in progress. In order to comply with the law change, we are manually abating penalties as appropriate.

Section 5.6(c) of Session Law 2022-13 (HB 83) amended subsection (b) of G.S. 105-235(a)(4), the penalty for failure to pay (FTP) tax when due. As enacted, effective July 1, 2024, the penalty for failure to pay a tax changes from a flat 5% of tax rate to a graduated rate.



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The Department is not able to implement the graduated rate FTP penalty until a new tax system is procured and in production. Thus, the Department will be requesting a change in the effective date until July 1, 2026. This request will be included in our technical corrections request in the short session. An additional extension of time may be necessary depending on the go live date of the new tax system.