



Informatica Helps Texas Recoup \$70 Million in Unpaid Taxes Annually

“Using this system, we’re generating an additional \$70 million per year for the state.”

— Lisa McCormack, Audit Division Area Manager, Texas Comptroller of Public Accounts

CHALLENGE

- Identify uncollected sales and use taxes, which represent 25 percent of the state’s revenue
- Administer tax collections accurately, effectively, and equitably

SOLUTION

- Informatica’s identity resolution technology

RESULTS

- Identified tax audit leads which generate an additional \$70 million in tax revenues annually
- Implemented as part larger Advanced Database System project which has returned more than \$500 million to the state since its inception in 2001

Funding Necessary Government Programs While Balancing Budgets

It’s a challenge faced by governments of every size: how do you fund necessary programs while balancing the budget?

The Texas Comptroller of Public Accounts faces this very challenge. The Comptroller is the state’s chief tax collector, accountant, revenue estimator, and treasurer. The Comptroller prepares the state’s biennial budget estimate, which is required by the Texas Constitution to be balanced. The Comptroller also monitors and accounts for state spending and collecting revenues, including taxes.

It’s a big job. The Comptroller’s office must administer 50 different state taxes, processing more than 3.8 million tax returns annually. Ensuring that these taxes are administered fairly and equitably is the mission of the Audit Division. The Audit Division is charged with identifying companies doing business in Texas without a tax permit and identifying companies and individuals owing taxes.

This is a critical mission. “We have no income tax in Texas,” points out Lisa McCormack, Area Manager for the Audit Division. “So, the sales and use taxes are major components of the state budget.” In fact, sales and use taxes account for nearly 25 percent of the state’s revenue.

To meet the challenge, the Texas Comptroller of Public Accounts relies on Informatica’s identity resolution technology (formerly known as Data Clustering Engine)* to help the agency administer tax collections accurately, effectively, and equitably.

* Informatica Corporation acquired Identity Systems in May 2008. Identity Systems products have been repackaged.

Missed Identity Matches Mean Missed Revenue

To identify those who owed the state money, the Audit Division tried to cross-check taxpayer records against information from outside sources. "We might get a list of companies that have participated in a trade show," McCormack explains. "We'd want to match that against our tax files to identify anyone doing business without a permit." These external files include databases maintained by the Federal Aviation Administration (FAA), U.S. Customs Service, and the Internal Revenue Service (IRS).

Unfortunately, this approach had a number of shortcomings: differences in the way the information was formatted in the different databases, unavoidable errors and variations such as misspellings and abbreviations, and incomplete information that resulted in missed matches and false matches. That meant the Audit Division spent time and resources pursuing companies that were properly registered while missing those that weren't.

The Audit Division needed a technology that compensated for the unavoidable errors and differences in the data. The Audit Division implemented a pilot program using Informatica's identity resolution technology, which "...proved to be a much better solution than any of the other methods we have tried," McCormack says.

Robust Identity Resolution Capabilities Deliver Big Returns

Informatica's identity resolution technology is designed to search, find, match, and group identity data. The technology emulates an intelligent business user's ability to determine a match based on a variety of factors, overcoming spelling, phonetic, and other errors and omissions in the data. And it offers the speed and scale to perform high-volume searches quickly against very large databases.

The Audit Division installed the technology as part of a larger Advanced Database System project in 2001. The system is used to generate leads for the auditors. Two statisticians developed a system for scoring the matches that offer the highest potential for successful action. The auditors then follow up, starting with a letter. Not only is this approach more efficient, allowing better use of time and resources, it's also returning much more revenue. "Using this system, we're generating an additional \$70 million per year for the state," McCormack says. Overall, the project has returned more than \$500 million to the state.

As an example of how the system works, the Audit Division cross-checks 1099 forms filed for Texas residents against the tax system. That allows them to identify companies that are doing business in the state but that have not registered for the Texas Franchise tax. In the same way, the Audit Division can cross-check the FAA's quarterly report of aircraft registered in Texas to identify cases where the proper sales and use taxes have not been paid. Perhaps most noteworthy is the relatively minor investment required by the system.

There is a single server, managed by two employees from the Audit Division — one UNIX administrator, one database administrator — on a part-time basis.

There is one more significant benefit to the system, according to McCormack—fairness. "More accurate identification of those who haven't paid their taxes means less intrusion on those who do," she points out. "When everyone pays their fair share, the entire state benefits."

LEARN MORE

Learn more about Informatica's identity resolution technology and the entire Informatica product platform. Visit us at www.informatica.com or call 800.653.3871.

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First Published: 2008

6886 (08/06/2008)