Informatica Tax and Revenue Solutions
Driving Data Integration for Tax Compliance/Discovery and Fraud Detection

Lisa McCormack

Audit Division Manager

Texas Comptroller of Public Accounts

BENEFITS

- Detect nonfilers, under-reporters, and other noncompliance

- Ensure access to timely and accurate financial data for planning, budgeting, and forecasting

- Discover fraud and abuse by detecting illicit transactions and patterns of activity within all financial data

- Provide seamless interfaces between financial databases and enterprise data warehouses

- Track and manage property valuation on tax data to raise audit success and increase tax revenue

- Increase voluntary compliance

- Improve delivery rates through address validation

"Using Informatica to improve reliability of our taxpayer data, we're generating an additional $70 million per year for the state."

These are challenging times for government budgets. Although the private sector is showing signs of economic recovery, government agencies are waiting for the recovery to kick in, while dealing with tighter and tighter budgets and trying to avoid cutting services when the demand for these services is at an all time high. Many government agencies around the world are using Informatica's technology solutions to recover lost revenue and improve tax collection, while continuing to provide essential services required without raising taxes.

Reduce Inefficiency & Lost Revenue

Avoid spending excessive time manually reconciling taxpayer documents

A major challenge in any tax and revenue system is having a complete view of a taxpayer, whether an individual or business. Revenue agencies obtain information regarding taxpayers from many places including, but not limited to, other tax agencies, financial institutions, other state/local agencies and the taxpayer themselves. Tax agencies need to be able to leverage all of the information (e.g., income statements and deductible expenses) submitted on behalf of taxpayers when processing tax returns. Failing to do so results in incorrectly associating information with a wrong taxpayer or auditing the wrong taxpayer—a waste of valuable time and resources and a public relations nightmare.

Obtaining an accurate overview is challenging for most tax agencies because many of the documents provided to them are supplied by other organizations and individuals. It is quite common for some of those documents to arrive with various forms of the taxpayers' name, address, and other information. These discrepancies can create a challenge for tax and revenue agencies because traditional mechanisms for searching, such as SQL statements, don't account for such errors and variations in identity data.

The Tax Administration Solution

Informatica's solution provides the ability to search and retrieve, in real time, all records associated with a taxpayer despite the errors and variations that might be present, within either the search record or the data that the agency already has on file. This solution allows the agency to embed the search capability into existing or new tax administration systems—enabling users to see "all that there is to see" about a given taxpayer and reducing the risk of poor decisions based upon incomplete data.

Increasing Revenue

Quickly Identify Nonfilers

In these challenging economic times, states are wrestling with the need to introduce new taxes to cover ever-increasing costs and replace lost revenue. One way that states can help cover the gap created by the economy is to ensure that all taxes due are being properly paid. A tax discovery program is one method states are using to find potential "nonfilers." In general, individuals and businesses filing for one type of tax are often required to file for other taxes as well. States can find potential "nonfilers" by comparing lists of those that filed for one type of tax against a list of those that have filed a different type of tax. Under ideal conditions both lists should contain the same individuals or businesses. Any differences would be indicate a "nonfiler."

Because the vast majority (about 99 percent) of the records within each file are expected to match one another, what's necessary is discovering fewer than 1 percent of records that do not match. Essentially, this would be the list of individuals or businesses that have filed one type of tax but have failed to file the other, the so-called "nonfilers."

This reconciliation may appear to be a simple process, but there is a significant challenge. Because the records within each of these files are obtained from different sources, individual names and company names, addresses, and other basic data can contain errors and variations (e.g., typos, misspellings, character transpositions, and formatting differences). The impact of these variations have a substantial inpact on the ability to reliably match two files. Although the vast majority of files and references to individuals or businesses with those files are expected to match, even a small error rate in the matching process can introduce sufficient numbers of "false hits" that can far exceed the number of true "nonfilers." With the reliability of the "nonfiler" list in question due to these false hits, additional manual intervention is required to validate the results. This manual intervention is time consuming and labor intensive—often increasing the risk that a compliance letter will be sent to a taxpayer who has actually paid the tax in question.

The Tax Discovery Solution

Informatica's tax discovery solution provides highly accurate, highly scalable identity matching technology that is easily applied to the tax discovery process. This technology is used in either batch or real-time matching scenarios allowing tax and revenue agencies to implement the solution with little to no software development. The superior match rate in our solution significantly improves the results in the tax discovery processes—supplying greater confidence in the hits. Additionally, with less manual validation the risk of sending compliance notices to compliant taxpayers is dramatically reduced.

Many tax and revenue agencies have used Informatica technology to discover millions in unpaid tax revenues, without spending millions of dollars or taking years to get up and running. With the increased strain on state budgets no agency can afford not to consider improving its tax discovery processes to collect taxes owed and help minimize state budget gaps.
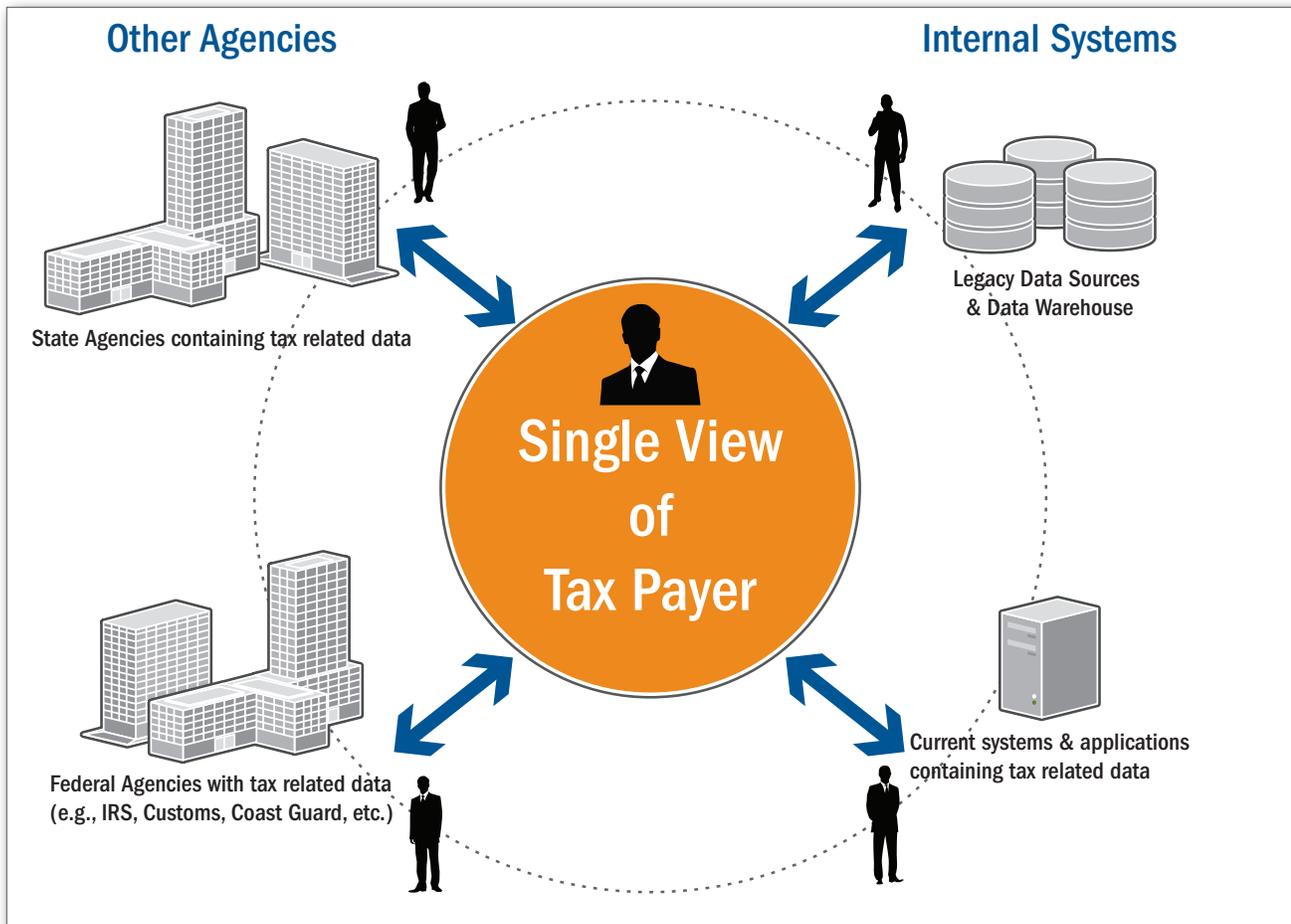
Paying Someone Who Owes You

Effectively Match Identities Across Departments

States are made up of many agencies, each with its own set of responsibilities and concerns. From a lack of communication, some agencies have returned or paid out funds to individuals who still owed money to other agencies of the same state. Tax offset programs are designed to identify and capture such events, allowing the state to redirect those funds to pay off debts that are owed to the state. There are a number of scenarios where such events can take place, but one of the more popular offset programs revolves around child support payments. States will often seek to verify that recipients of tax refunds or lottery winnings do not have outstanding child support payments before remitting those funds. Because the states need to search and match data between disparate systems to recognize when these cases exist, the states will be challenged by errors and variations within the data in those systems. To be able to effectively match between those systems, the states will need to employ technology that allows them to matching despite the errors and variations that exist within the data.

The Tax Offset Solution

Informatica technology enables states to match despite such errors and variations so states can more effectively identify cases where individuals owe money and should not receive refunds or payments. To maximize the state's ability to work with more agencies both within the state and nationally, Informatica's tax offset solution is applied in batch, real-time using Web services, or both. It then becomes easy to support these agencies seeking to verify if people owe money to the state before making a payment to them. Any funds captured are applied to existing debts, so there is a double win for the state, which reduces expenditures and collection costs.

Other Agencies

Internal Systems

State Agencies containing tax related data

Legacy Data Sources & Data Warehouse

Single View of Tax Payer

Federal Agencies with tax related data (e.g., IRS, Customs, Coast Guard, etc.)

Current systems & applications containing tax related data

Increase Revenue and Improve Operational Efficiency by Obtaining A Single View of Tax Payer

Throughout Departments of Revenue, one of the biggest challenges is reconciling the many different records of a single taxpayer that are spread across various systems and agencies. The inability to establish a single view of taxpayer creates the potential for lost revenue, fraud, or abuse of the tax system. Informatica's solutions for tax and revenue enables the creation of real-time, unified views of any master data, such as tax records, death records, unemployment systems, disability payments, etc., that are fragmented across these many systems. With a "gold standard" view of an individual taxpayer Departments of Revenue are able to truly see who is who, and who did what, across theses disparate systems and agencies. Obtaining a single view of tax payer allows a state to reduce fraud, waste, and abuse within the tax system—ultimately increasing revenue and operational efficiency.

DRIVERS

- A single "Golden Record" of a tax payer, across all available systems, and agencies. There is also great value in combining duplicate records within a single system as duplicate records exist in all systems despite best efforts to prevent them. In order to achieve success, solutions must enable collaboration among all the various constituencies while applying a proven process for identification and resolution of data relationships.

- Records stored across multiple systems contain conflicting representations of address, date of birth, social security number and other important data attributes. Capabilities for understanding what data is out there, in which formats, and the ability to apply an automated remediation plan are critical for a successful outcome.

Customer Success

- The State of Texas uses Informatica to catch tax cheats and recover $70 million per year in lost revenues. Voluntary compliance has also increased as a result of this system—providing more cost savings to the State in collection efforts

- The Internal Revenue Service (IRS) uses Informatica for high speed, highly accurate identity search and match to support examinations, collections and criminal investigations

- The IRS uses Informatica to support the excise files information retrieval system. A major integrated system tracks movement of fuel to determine if the proper tax is being paid

Tax and Revenue Agencies Using Informatica Today Include:

- Texas Office of the Comptroller
- Washington State Department of Revenue
- Wisconsin Department of Revenue
- Pennsylvania Department of Revenue
- Tennessee Finance and Administration
- California Franchise Tax Board
- Minnesota Department of Revenue
- Illinois Department of Revenue
- Indiana Department of Revenue
- Washington, D.C. Tax
- Georgia Department of Revenue
- Kansas Department of Revenue

"Utilizing the algorithms in Informatica's identity resolution technology and performing a thorough analysis of the relationships between people, companies, and addresses, the software has enabled us to successfully match over 50 million records to date, despite variances in naming conventions. This has also had the benefit of reducing manual processing."

— Principal Data Analyst,
Office of State Revenue

How good is the quality of your data?

How do you know? Have you tested it?

Do a data test with Informatica.

You've got nothing to lose but revenue!

LEARN MORE

Learn more about Informatica Solutions for Tax and Revenue Departments and the entire Informatica Platform. Visit us at www.informatica.com or call (800) 653-3871.

ABOUT INFORMATICA

Informatica Corporation (NASDAQ: INFA) is the world's number one independent provider of data integration software. Organizations around the world gain a competitive advantage in today's global information economy with timely, relevant and trustworthy data for their top business imperatives. More than 3,900 enterprises worldwide rely on Informatica to access, integrate and trust their information assets held in the traditional enterprise, off premise and in the Cloud.

7144 (05/21/2010)