

Prepared to Deal with High Volume of Processing? Enhanced Forms Bring Technology Benefits to Returns Processing

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Michael Smith
Senior Director of Business Development



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Whether your forms are paper or electronic they are an integral part of government operations. Whether submitted by businesses, citizens or government employees, they need efficient processing to be managed, edited and archived. While paper is still popular among many taxpayers, the movement toward e-filing and electronic documents is growing quickly. States such as Alabama, Colorado, Georgia, New York, and 34 others participate in the Federal/State e-file program and are encouraging this shift through new regulations. More than 112 million income tax returns were e-filed last year, or 77 percent of all individual returns filed.¹

Supporting this transition to electronic format is the increased adoption of technologies and improved capabilities that automate paper forms processing in a more cost-effective and reliable manner. Multiple tools from Optical Character Recognition (OCR) scanning to advanced barcodes offer increased efficiencies, greater storage capacity and data capabilities along with improved data access for strategic decision-making. However, even as more of the forms and processes are automated and digitized, there will continue to be some quantity of paper documents that require processing support.

For Departments of Tax or Revenue, this growing trend serves as the impetus to redesign agency workflow processes. Originally designed to manage huge manual workflows to handle paper, the focus today is on streamlining the amount of paper your agency receives and adjusting staff and resources to be dedicated toward the most value-added activities such as delivering better services to taxpayers or identifying fraud, waste and other discrepancies.

With government workforces operating with reduced staff, the right business process services provider can help deliver the resources and technology needed to efficiently manage paper and create a best-practices approach for more streamlined and enhanced paper and electronic forms processing. DOR organizations that take advantage of enhanced forms and barcode technology can quickly process returns, reduce costs, automatically detect fraud and inaccuracies and improve cash flow – all while maintaining high service levels for taxpayers.

Hard Habit to Break

In 2000, only 28 percent of individual taxpayer returns were filed electronically.² Today, paper returns are the exception, not the norm. But DORs still need to have the right resources and defined workflow processes for efficient exception and manual document process handling.

It may seem like the entire world has embraced digital transactions, but there's still a large group of people not willing to break away from paper practices. They may not have access to a computer, are afraid of hackers or are not comfortable sharing personal details in an electronic format. Privacy concerns aside, other people do not want to pay for expensive third-party tax software, and many government jurisdictions do not allow taxpayers to file directly.

Taxpayers may always want a choice in how they submit their tax return, however, it's not surprising that the government preference is toward electronic documents. On average, it costs \$3.29 to process a paper return whereas an electronic return costs 19 cents to process.³ With an electronic process as the desired end-state, the challenge is making sure that paper forms are processed in a manner that requires fewer staff. This starts with enhanced forms design and access to sophisticated scanning technology.

While every state gathers information such as the taxpayer's name, date of birth, Social Security number, and income, each DOR has its own requirements in terms of what information their state's form must capture based on tax codes or other criteria. Each form needs to be optimized in order to run through new workflows and technology. That may include putting in restraint boxes or using specially colored ink. The right business process partner can recommend best-practices for optimizing forms for OCR, barcodes or other types of data capture, enabling DORs to make the most of automation.

Beyond form design, DORs should consider whether it makes sense to keep processes in-house and continue to invest in technology and upgrades or if it's more advantageous to partner with a services provider. As taxpayers expect higher levels of technology enabled services and state agencies are

¹ IRS, "IRS e-file Launches Today; Most Taxpayers Can File Immediately" press release, January 2012 (<http://www.irs.gov/newsroom/article/0,,id=252505,00.html> retrieved 04 04 12)

² IRS, "Individual Income Tax Returns, 2000," September 2001(<http://www.irs.gov/pub/irs-soi/00indtr.pdf> retrieved 04 09 12)

³ Government Accountability Office, "Electronic Tax Return Filing," March 2011 (<http://www.gao.gov/assets/320/316354.pdf> retrieved 04/25/12)



under increased pressure to efficiently collect and account for the state's revenues, taking advantage of a partner may be your best option. One who can deliver advanced workflow technology and can provide data for informed decision-making, all while streamlining processes and improving cash flows. Now that many DORs cannot justify the expense required to purchase and maintain in-house systems, the right partner can provide cost-effective solutions that deliver access to state-of-the-art technology and contribute significant process improvement.

Making the Process a Little Less Taxing

DORs that manage paper also are still required to handle mailroom prep and scan, a time- and labor-intensive task often resulting in additional costs and inefficiencies. And because it's not part of the agency's core competency, it takes your staff away from more important agency tasks. One option is to take advantage of machine readable barcode technology that can alleviate manual intervention and use scanning devices to read forms electronically. A key advantage of barcodes is that information is written once, thereafter it can be accessed as often as needed. This eliminates the need for multiple labor-intensive quality checks during processing, and frees up staff to focus on more value-added activities.

Intelligent PDF417 2D barcodes provide more information and data, such as the type of form (i.e. 1040) or other information in the tax return. This improves the ability to match information and perform compliance checks. PDF417 is a recognized industry standard used by the Department of Defense, Motor Vehicle Association, and other government entities. The technology is also used for driver's licenses, state ID cards, and other official documents.

Just as the Division of Motor Vehicles uses this technology to increase visibility and improve its services, DORs can use it to capture supporting documentation such as W-2, 1099s or other information. Currently most DOR do not have the resources to capture extensive information, limiting visibility into data analytics or fraud detection and prevention.

Intelligent barcode forms require no manual data entry and provide high speed information capture, to easily and inexpensively deliver agencies the ability to make informed decisions. These new form designs are able to handle multiple data fields such as signatures, text, and graphics, along with larger volumes of information, providing

improved intelligence and eliminating the need and expense of archiving. Other benefits include:

Reduced reliance on staff resources: Instead of relying on individuals to key information into the system, intelligent barcodes enable information to be captured and read electronically without human intervention. This increases accuracy, speeds the retrieval process and enables your staff to focus on more value-added activities.

Shortened processing time: Processing on paper can take as much as 21 days. Using bar code technology, processing is reduced to less than two days even during the April peak period and typically same-day processing during the rest of the year.

Faster availability and access to information: Speedier data access allows DORs to process forms internally more quickly and improves data visibility earlier in the process.

Enhanced reporting: Information quality is improved as accuracy increases, allowing DOR organizations to prioritize their activities and assign staff and resources to other revenue-generating activities.

Faster fund availability: Through enhanced forms and bar code technology, DORs are able to recognize funds sooner and improving cash float.

Reduced costs: A 2D barcoded return costs approximately 60 percent less to process. An automated, touchless process speeds processing while allowing your agency to store a larger volume of records without additional space, storage or support costs.

As technology continues to advance, states must explore new technologies such as PCH – an end to end processing document workflow solution – which can be extended to taxpayers, allowing them to submit forms directly into the agency's workflow. This has the feel of paper while delivering a speedier electronic service to taxpayers. IRS commissioner Doug Shulman has shared his vision of the future which includes a real-time tax system that moves away from a "look back" system and data delays to one that deals with issues in real-time and reduces the burden on staff.⁴

⁴ IRS, "Prepared Remarks of IRS Commissioner Doug Shulman at the AICPA Fall Meeting in Washington, D.C.," November 2011 (<http://www.irs.gov/newsroom/article/0,,id=249453,00.html> retrieved 04 09 12)



The future requires taking advantage of technological innovation. And many states are mandating e-filing so a document workflow solution would enable government agencies to offer a solution to taxpayers providing a cost-effective alternative to retail software packages for submitting tax return documents and instead, deliver a valuable service while at the same time offering process efficiencies for your agency.

Timely access to taxpayer information can also help DORs use data to identify trends for budget and resource planning. For example, are east coast “snow birds” splitting their residence and filing returns in both New Jersey and Florida? Are there sufficient resources and technology to perform compliance and process claims?

States may also consider demographics to “rate” their need for a solution. For example, states with a high volume of agricultural workers might receive more paper tax returns than a state with higher white collar employment. And, as a state’s population increases, so does the volume of returns. Either way your state would benefit from a technology-enhanced workflow process.

Intelligent barcodes can also help states understand if process efficiencies are needed and where there are opportunities to streamline. Other future improvements will likely include intelligent Web portals and greater self-service functionality. Similar to the healthcare industry, new technologies will provide taxpayers with access to their personal information, the ability to submit tax returns electronically and access decision-support tools all through a single platform. For government organizations,

advances that include real-time processing will streamline adjudication and reduce the time to process tax returns or provide tax refunds to taxpayers.

Organizations need to determine if they are prepared to deal with the volume of processing and whether they have the required technology to support tax return processing in both paper and electronic formats or if it makes sense to work with a proven outsourcing business partner. The right provider can help DORs take advantage of the most current technology solutions, reduce costs, improve turnaround times and gain better visibility into funds.

[Automated Data Collection and the Right Partner](#)

Through the efficiency of automation, DOR organizations can now decide to focus on core competencies: taxpayer satisfaction and accurate tax return processing for improved revenue capture. And the right business process service provider, with the expert resources, best-practice processes and proven technologies can manage a more efficient, streamlined workflow process, and ensure compliance. Outsourcing can free up your DOR agency allowing you to reap the rewards of automation, while improving services for taxpayers. As paper forms use declines, the cost to maintain internal systems dramatically increases. And, as DORs operate in an environment of reduced budgets and fewer staff, it makes sense today, more than ever before, to consider outsourcing to a proven partner.

[About the Author](#) - Michael H. Smith is the senior director of Business Development for SourceHOV. With more than 15 years experience in the outsourcing industry and a member of numerous industry advisory boards, Smith brings an informed perspective on trends and best practices in business process outsourcing (BPO) solutions. He is also a Certified Information Capture Professional (ICP) and Certified Document Imaging Architect (CDIA). As part of his responsibilities at SourceHOV, Smith has presented at government and private sector conferences. For more information, email MikeSmith@sourcehov.com or visit www.sourcehov.com.