



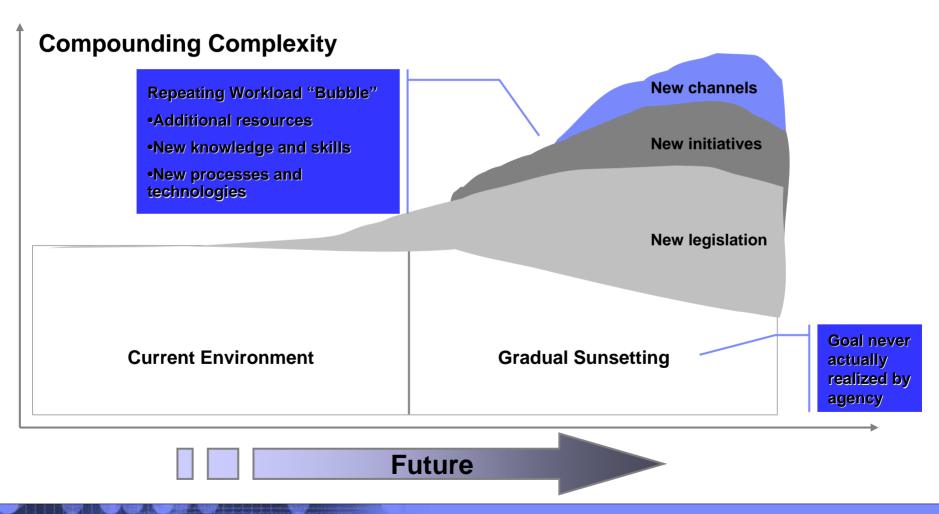
A Vision for Tax On Demand

"Tax Symphony ..."



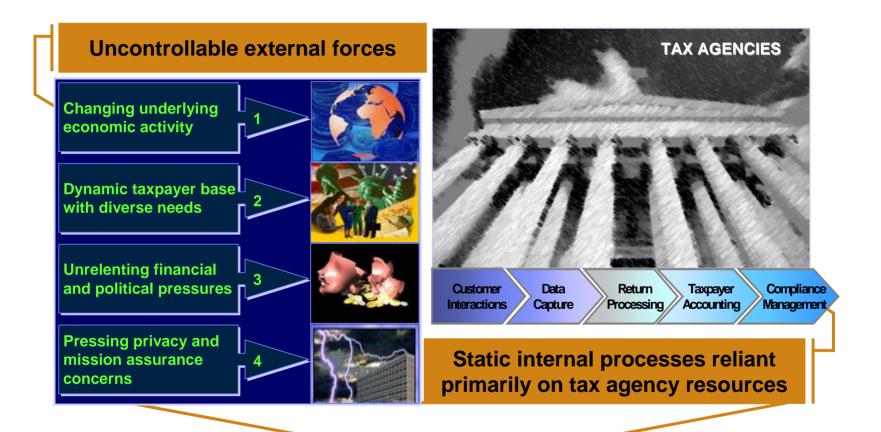


Traditionally, the tax agency has been responsible for all aspects of service delivery and each change in focus has tended to layer over the last, bringing on more complexity





External pressures and internal limitations drive the need for a major paradigm shift and breakthrough transformation



A Major Paradigm Shift and Breakthrough Transformation



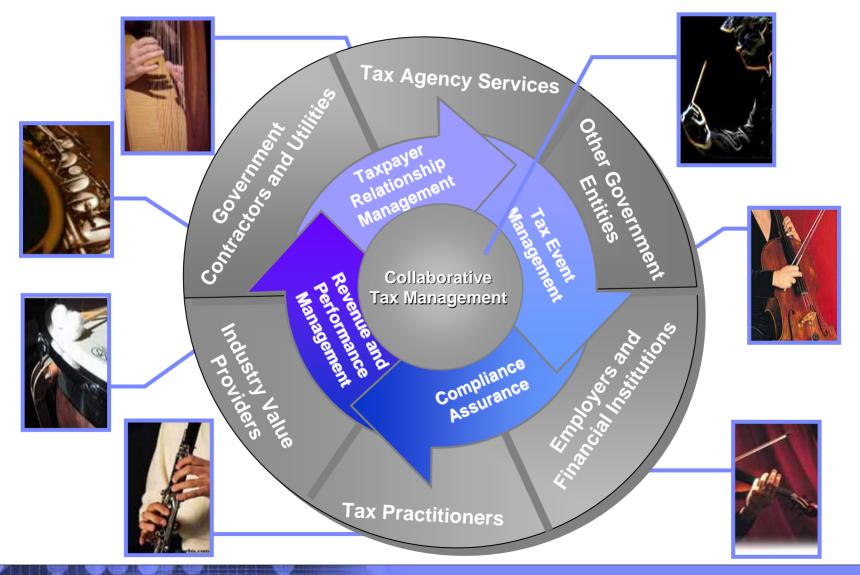
Envision...



... a collaborative tax agency focused on managing the government's tax program – orchestrating specialized capabilities across the agency and with value add partners – assuring equitable and efficient collection of all tax obligations at minimal burden to the taxpayer



The tax agency orchestrates the provision of tax products and services through a network of public and private providers





The providers would include the tax agency and its agents ...



Provide inherently governmental core tax services and selected specialized core competencies that, for example, involve interpretation of tax law, resolution of complex tax issues, setting standards, measuring performance, protection and oversight of the tax process and taxpayer information.

Build specialized tax administration tools and utilities that improve the effectiveness and reduce the cost of tax administration. Utilities, such as intergovernmental filing and payment platforms, would reduce duplicative expenditures and streamline compliance.

Tax Agency Services Contractors and Covernm Relationshi Collaborative Tax Management Compliance Assurance

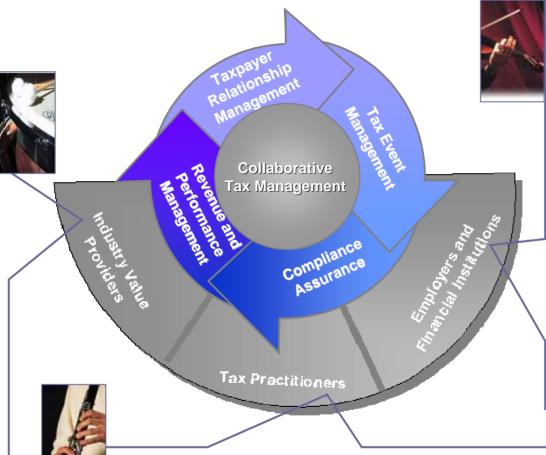
Work with tax agency to provide intergovernmental services to taxpayers and their agents to improve accuracy, reduce burden and increase compliance.

Identify program needs and manage the development of tax products and services by specialized public and private providers. Develop standards and incentives and monitor overall performance.



...as well as agents of the taxpayer

Develop innovative technology and services for private sale that streamline tax administration and decrease taxpayer burden. High-value products and services are facilitated and encouraged by the tax agency through standardization, secure automated sharing of taxpayer account information and support for private-sector innovation.



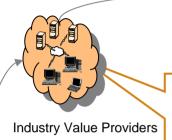
Produce, manage and share electronic records of tax-related transactions for use by all authorized participants throughout the stages of the tax life cycle, including maintaining electronic records portfolios for taxpayers, providing essential records to the tax agency on request and automating payment transactions and other compliance events.

Furnish a full range of tax services, supported by Industry Value Providers and the Tax Agencies, enabling taxpayers to transparently satisfy tax obligations and resolve tax-related issues. With Tax Agency support, Practitioners offer new value-added services that reduce Tax Agency resource demands and decrease taxpayer burden.

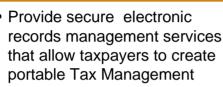


Taxpayer Relationship Management offers opportunities to reduce taxpayer burden



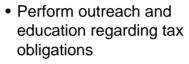


Provide secure electronic that allow taxpayers to create portable Tax Management Accounts





Γax Practitioners



 Maintain taxpayer profiles on behalf of the tax agency



Employers and Financial Institutions

- Integrate tax obligations into taxpaver financial portfolio
- Provide e-filing and payment as employee/ customer benefit

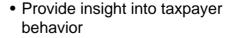


Tax Agency Services and Collaborative Tax Mgmt



- Understand taxpayers
 - Segmentation
 - Personalization
- Maintain authoritative taxpayer accounts
- Make account information available to authorized third parties through secure automated means





- Assess and recommend burden reduction measures
- Perform campaigns



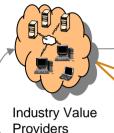
Government Entities

- Create inter-governmental registration and credentialing for multi-jurisdiction businesses
- Maintain single repository of vital information



Tax Event Management will leverage industry specialization to reduce transaction processing costs





 Develop creative products and services that reduce the cost and burden of tax filing and payment

Provide preparation and filing utility



Tax Agency Services and Collaborative Tax Mgmt



- Interpret tax event requirements and establish standards
- Publish rules to facilitate development of third party products and services
- Update taxpayer accounts and resolve complex tax event related issues
- Encourage and market tax event automation programs



- Prepare, perfect and submit returns
- Ensure event accuracy to resolve issues early in process



- Maintain tax event-related financial records
- Share records with authorized 3rd parties at time of tax event
- Facilitate e-payments



Government Contractors and Utilities

- Perform data capture and records mgmt
- Provide intergovernmental filing utility and payment clearinghouse

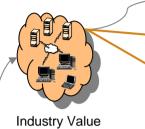


- Automate validation of taxpayer information
- Provide "one-stop" government service



Compliance Assurance will drive shared ownership of early detection and remediation of errors, evasion and fraud



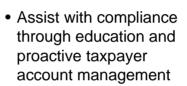


 Incorporate automated "preaudit" into tax software offerings to enhance accuracy and compliance

Develop automated fraud detection tools



Tax Practitioners



• Inhibit non-compliance



Employers and Financial Institutions

- Assist with automated fraud detection programs
- Provide timely electronic records to assist with early detection and transaction surveillance



Providers

Tax Agency Services and Collaborative Tax Mgmt

- Set Standards
- Monitor compliance
- Determine legal liabilities
- Invoke statutory enforcement tools (warrants, levies, etc.)
- Establish compliance thresholds and criteria
- Manage compliance contracts
- Adjudicate disputes



Government Contractors and Utilities

- Perform specialized data analysis
- Develop and operate intergovernmental compliance assurance programs
- Collect outstanding liabilities



Government Entities

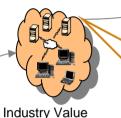
- Share compliance-related information across government jurisdictions
- Perform joint audits





Revenue and Performance Management will provide deep insight into taxpayer behavior and management of the extended enterprise





 Integrate tax and financial products

 Provide tools for electronic capture of tax information related to multi-jurisdiction economic activity



Tax Practitioners

 Provide a broad range of integrated tax and financial services



Employers and Financial Institutions

 Provide timely information on financial transactions for macroeconomic analysis



Providers

• Analyze/advise on tax policy

- Assess revenue and economic impact
- Account for and distribute tax revenue
- Understand taxpayer demographics
- Monitor taxpayer and third-party behavior
- Manage resources and account for costs
- Manage performance and quality assurance



Government Contractors and Utilities

 Provide specialized analysis, such as taxpayer burden assessment, customer segmentation analysis and revenue forecasting



 Create inter-governmental tax accounting and revenue exchange mechanisms for multi-jurisdiction economic activity





The Tax On Demand Vision encompasses four key attributes ...



Focused

Concentrated on selected core roles and processes, and using tightly integrated strategic partners to manage selected non-core activities



Variable

Flexibly adapts cost structures and business processes to reduce risk, raise productivity of people and assets, and predict and control costs



Responsive

Senses and responds rapidly with personalized services to the dynamic needs of taxpayers and tax industry third parties



Resilient

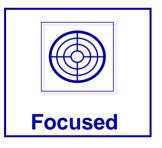
Prepared for changes and threats – technological, economic, or political – enabling business continuity with consistent availability, security and privacy, even during surges in activity



On demand tax agencies achieve a sustainable mission by focusing on their core competencies

WHAT IT MEANS TO BE "FOCUSED"

- Vision that defines desired long term role in tax administration
- Focus on highest value internal competencies
- Integrated operations with dedicated strategic partners
- Outsourced non-differentiated elements to partners or shared services providers



HOW IT'S DONE

- Concentrate investment on enhancing the overall value network
- Allow taxpayers to be serviced through their preferred channels
- Orchestrate best-in-class service providers
- Drive incremental revenue from insourcing strategic components

WHY IT MATTERS ...

Extends the organizational capability, in concert with others, to achieve mission:

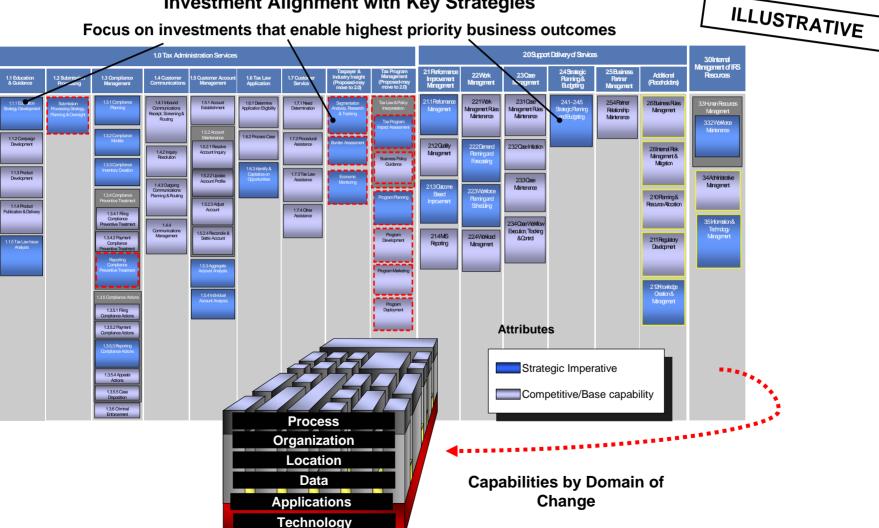
- Reduced cost per transaction
- Increased revenue per employee
- Increased partner service offerings
- Improved customer satisfaction



A Focused Tax Agency can be visualized as a network of interrelated business components

Investment Alignment with Key Strategies

Focus on investments that enable highest priority business outcomes





Tax agencies that can move from fixed to *variable* cost structures will adapt more successfully to new pressures

WHAT IT MEANS TO BE "VARIABLE"

- Flexibility to adapt cost structures and business processes
- Performance to respond to surges and peaks in demand
- Partnerships with third-party providers in fast and flexible "value networks"
- Adaptive, standards based interfaces to taxpayer systems



HOW IT'S DONE ...

- Manage resources dynamically
- Orchestrate a service delivery network
- Avoid duplication and overlap
- Loosely couple with third-party providers through open standards

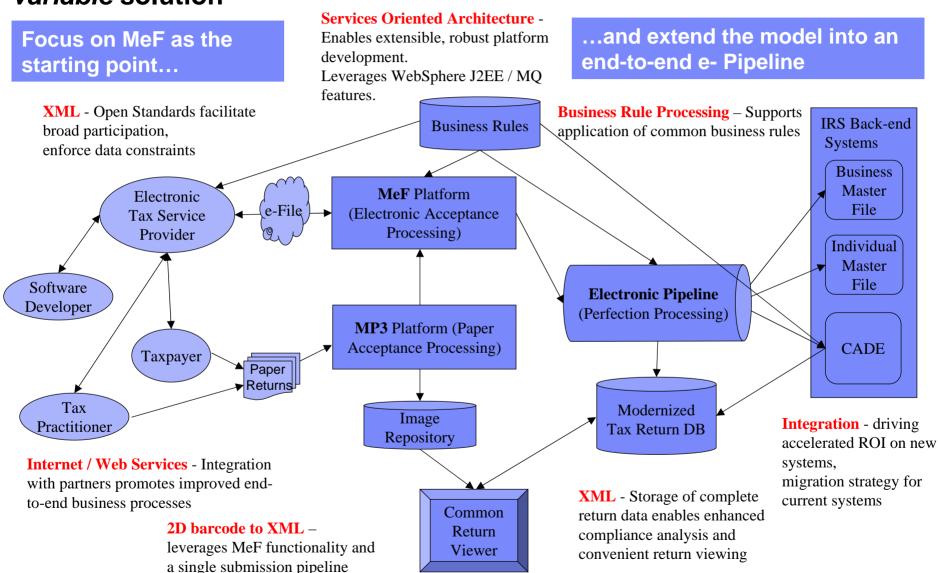
WHY IT MATTERS ...

Flexibly supplements agency capabilities with specialized industry resources to shifts costs from fixed to variable:

- Decreased marginal costs
- Improved workload management
- Broad but targeted service coverage through specialization



Modernized e-Pipeline - an example of an efficient, adaptable and *variable* solution





A continuously changing tax administration environment requires a *responsive* tax agency

WHAT IT MEANS TO BE "RESPONSIVE"

- Dynamic sense and respond ability to internal or external needs
- Organizational capacity that can be leveraged to act quickly
- Understanding of changing tax administration operational needs
- Accurate, real-time information that is shared by participants
- Continuous feedback to drive new insights and process improvements



HOW IT'S DONE

- Customize service delivery to fit target taxpayer needs
- Embed risk-based monitoring and rules-driven compliance
- Respond rapidly to new legislative and compliance needs
- Integrate new value networks and capabilities quickly and seamlessly

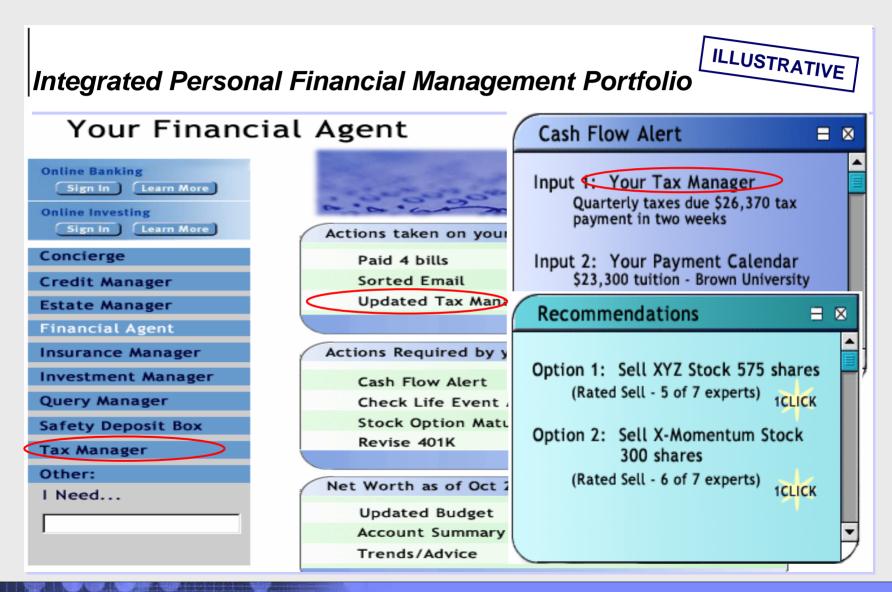
WHY IT MATTERS ...

Improved speed and quality of response to unpredictable events and new demands

- Accurate forecasting of needs and impacts
- Timely program implementation
- Improved quality of products and services
- Reduced taxpayer and practitioner burden



What a responsive Tax Agency might enable third parties to provide





Resiliency in organization, processes and technology helps mission assurance and protects the revenue stream

WHAT IT MEANS TO BE "RESILIENT"

- Mission assurance across the entire extended partner network
- Planning for potential threats to ensure quick response and recovery
- Security to safeguard human, physical and information assets
- Privacy that protects confidentiality of taxpayer and employee information



HOW IT'S DONE ...

- Provide real-time monitoring of operating and security risks
- Build a secure, robust infrastructure and processes
- Provide fail-over capability to recover quickly from external disruptions

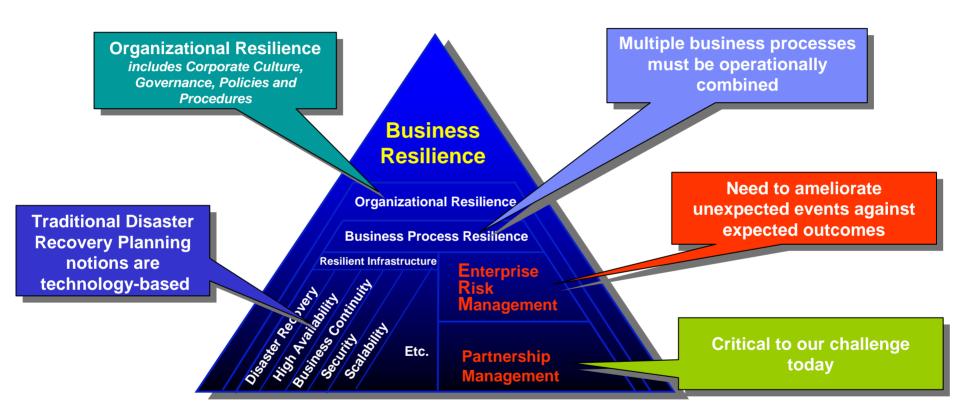
WHY IT MATTERS ...

Assures continuous, secure operation through real-time risk visibility, assessment and readiness:

- Fewer critical points of failure
- Shared risk among partners
- Improved business recovery readiness



Resilience is more than just availability, recovery, continuity, security or scalability... it's the holistic management of business and IT services of the extended enterprise, including direct and indirect business partners



- Ability to deliver core business functionality availability
- Ability to adapt to planned and unplanned change, i.e., demand or disruption scalability, agility and adaptability
- Ability to deliver a productive business solution with limited errors performance
- Ability to maintain customer satisfaction with services systems management



Tax On Demand will create a flexible, dynamic environment that allows each partner to apply its specialized expertise in a seamless service delivery network



"Highly-competitive businesses have responded to new market challenges and opportunities by shifting their view from streamlining internal processes and systems to integrating internal and external service providers.... In this environment, existing tax administration service providers would likely innovate with new and creative electronic service offerings and new providers would undoubtedly enter the market with fresh ideas and new business models. Taxpayers would be the ultimate beneficiaries."



2003 Electronic Tax Administration Advisory Committee Report to The US Congress