

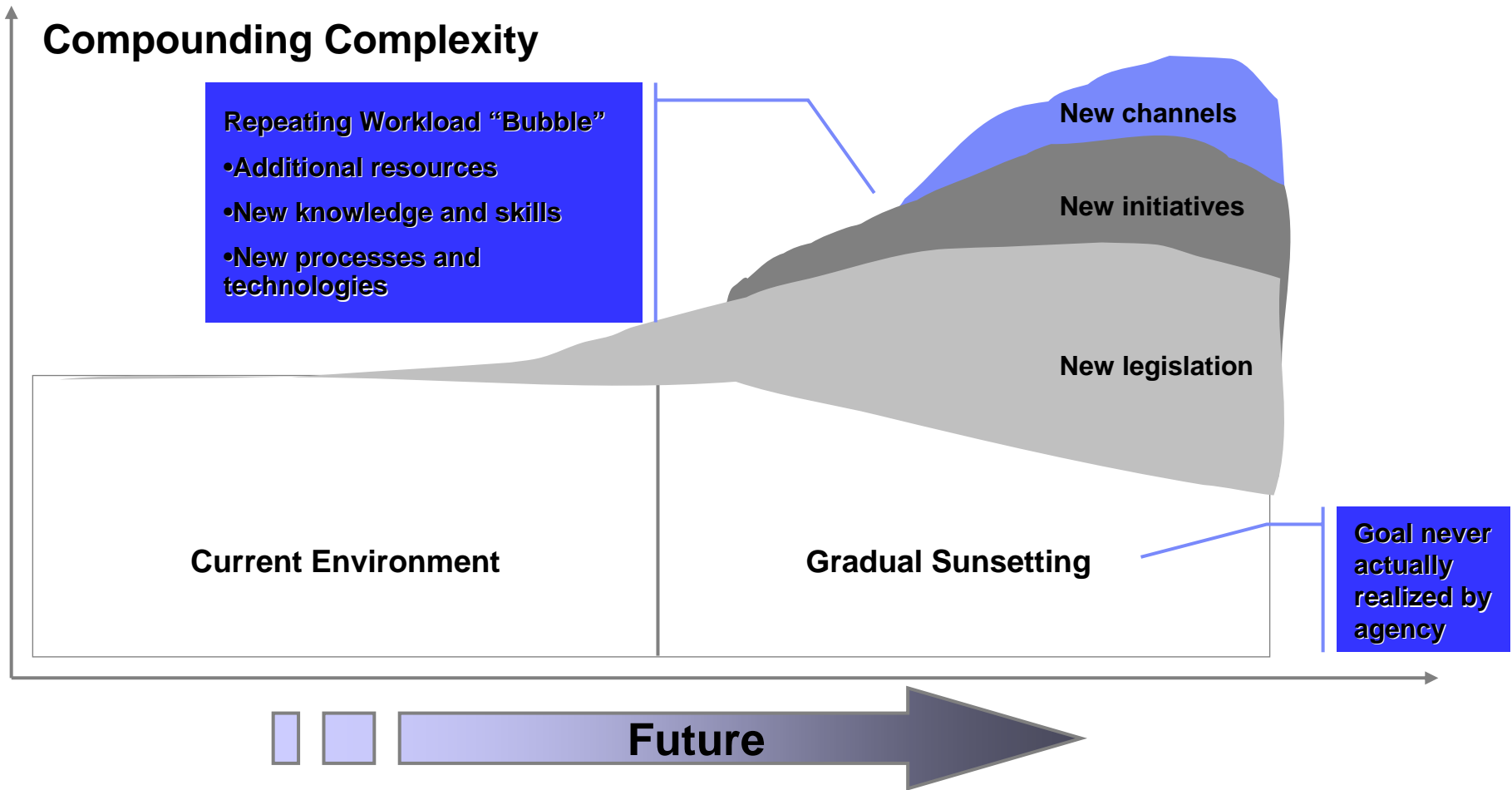


A Vision for Tax On Demand

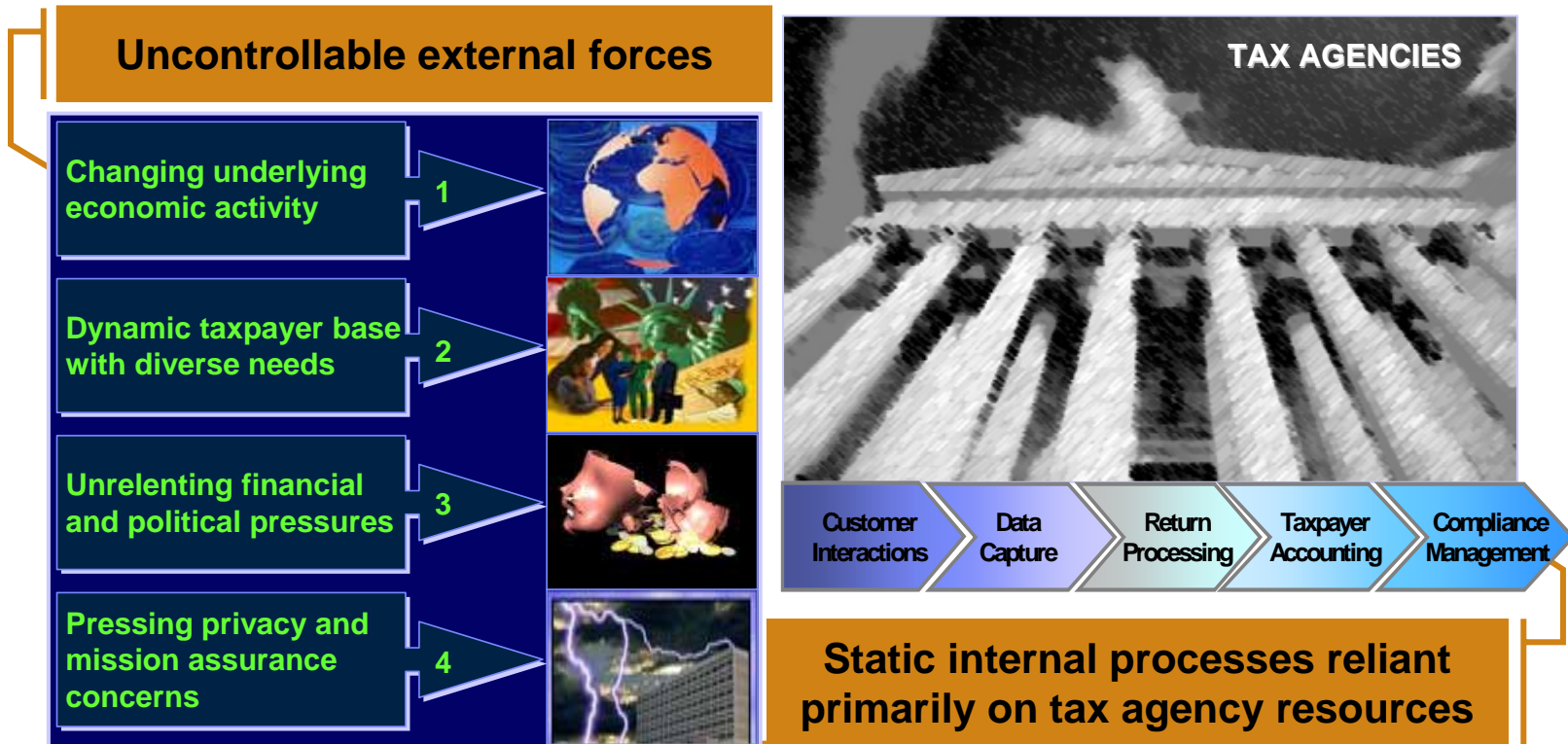
“Tax Symphony ...”



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



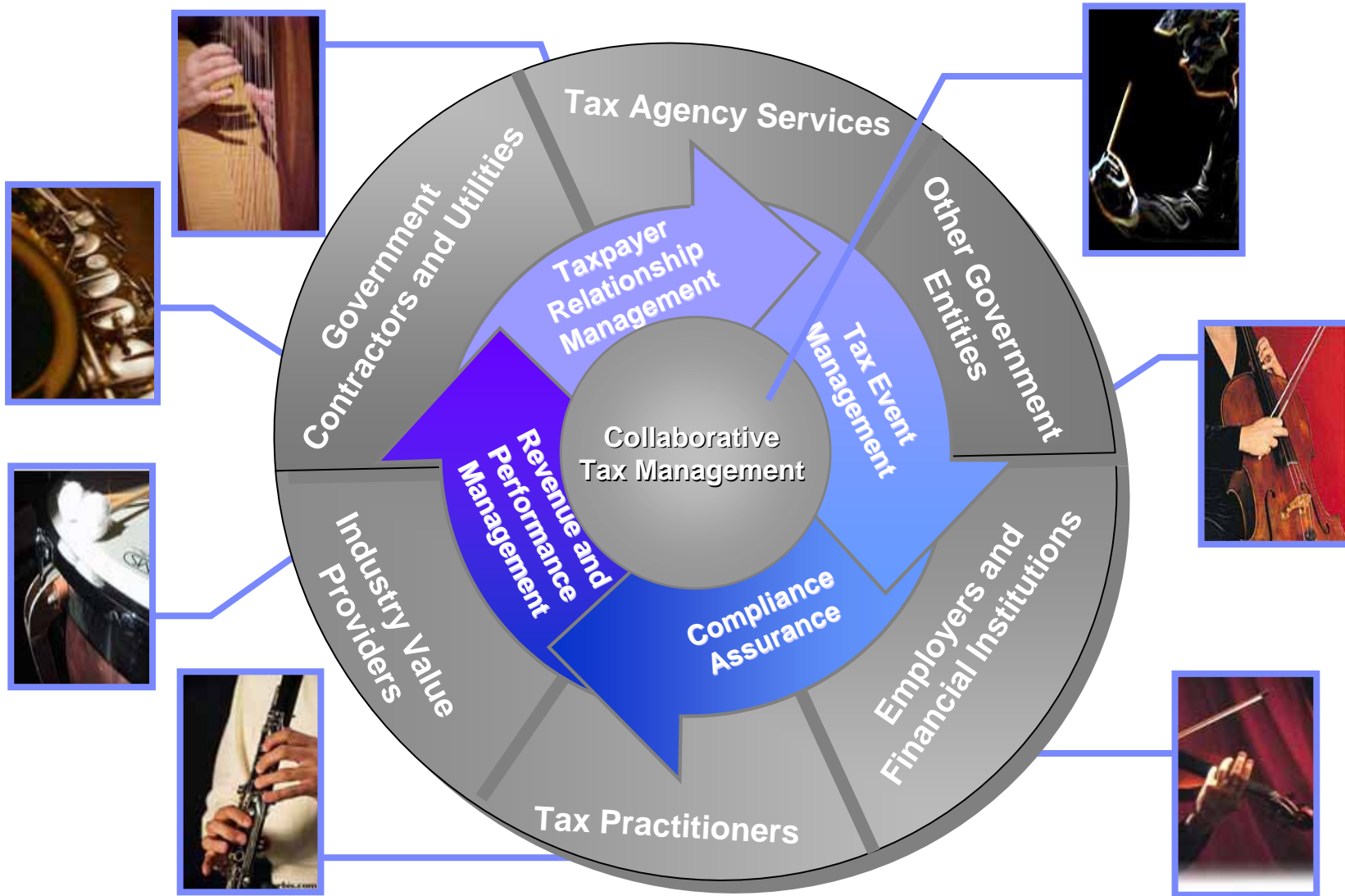
A Major Paradigm Shift and Breakthrough Transformation

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 ...

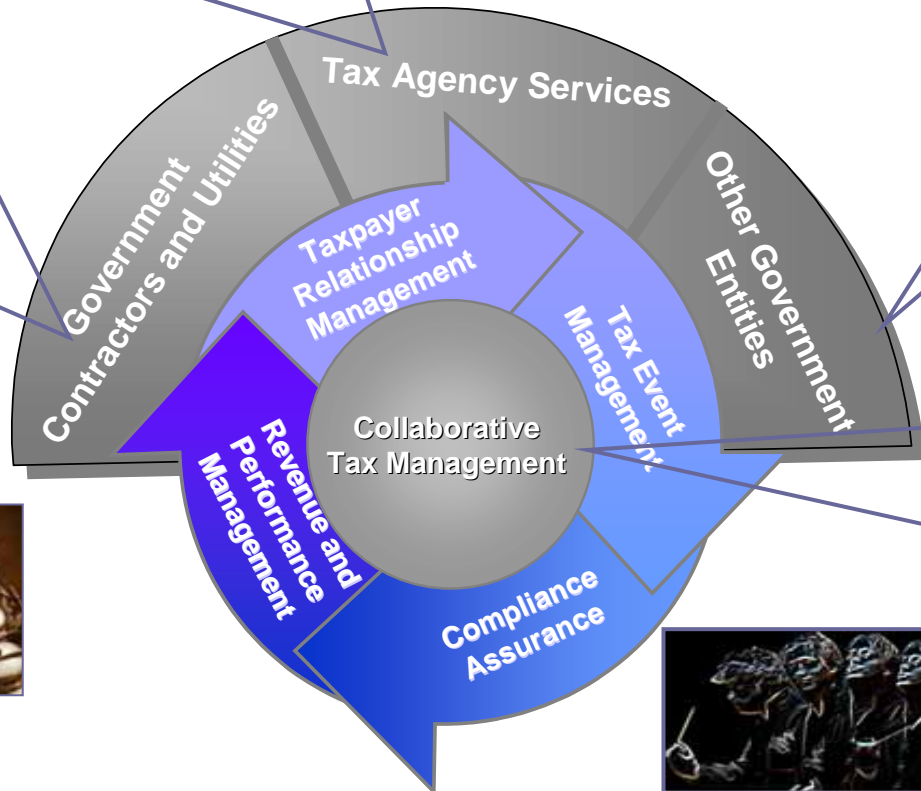


Provide inherently governmental core tax services and selected specialized core competencies that, for example, involve interpretation of tax law, resolution of complex tax issues, setting standards, measuring performance, protection and oversight of the tax process and taxpayer information.

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



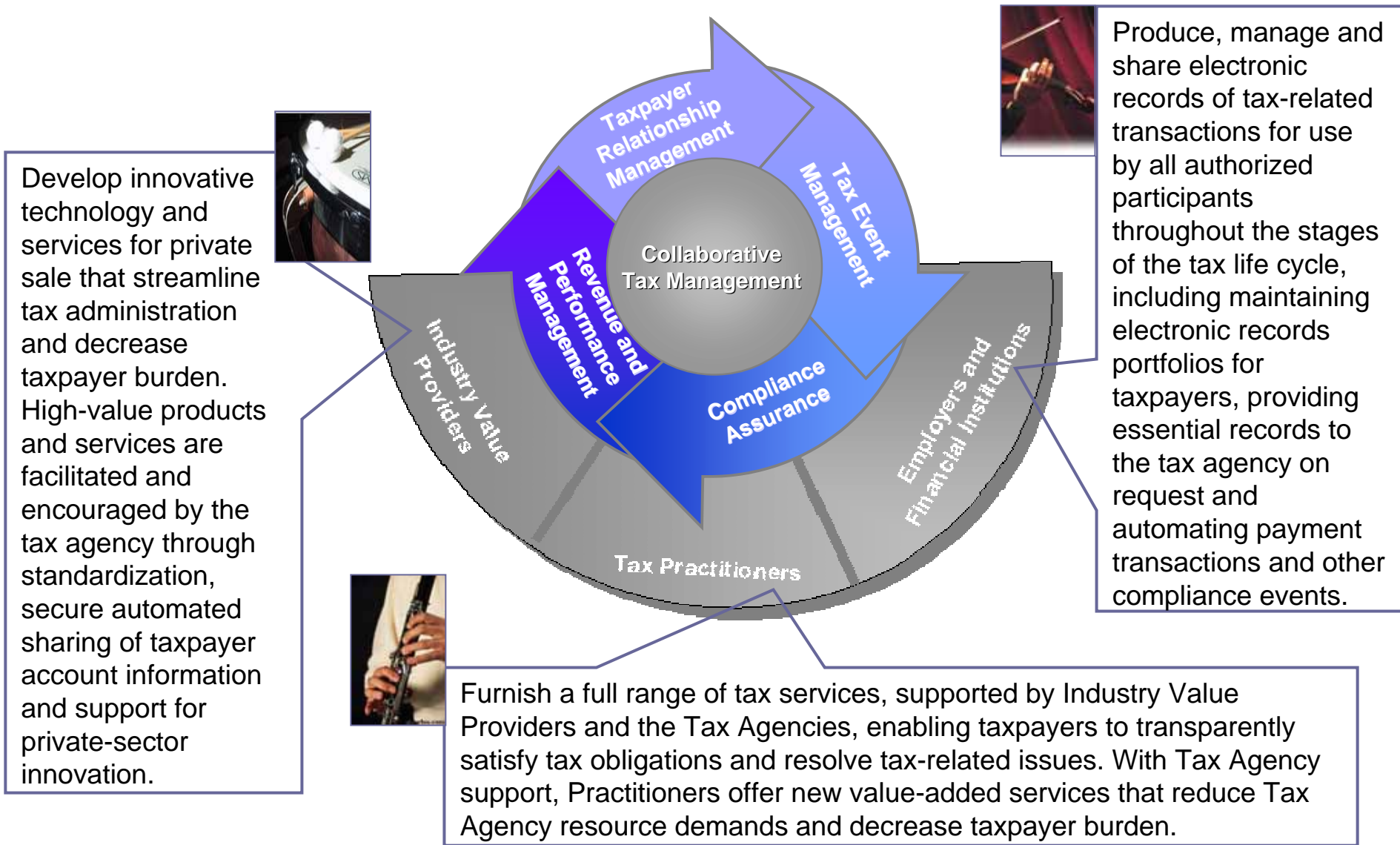
Build specialized tax administration tools and utilities that improve the effectiveness and reduce the cost of tax administration. Utilities, such as inter-governmental filing and payment platforms, would reduce duplicative expenditures and streamline compliance.



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.

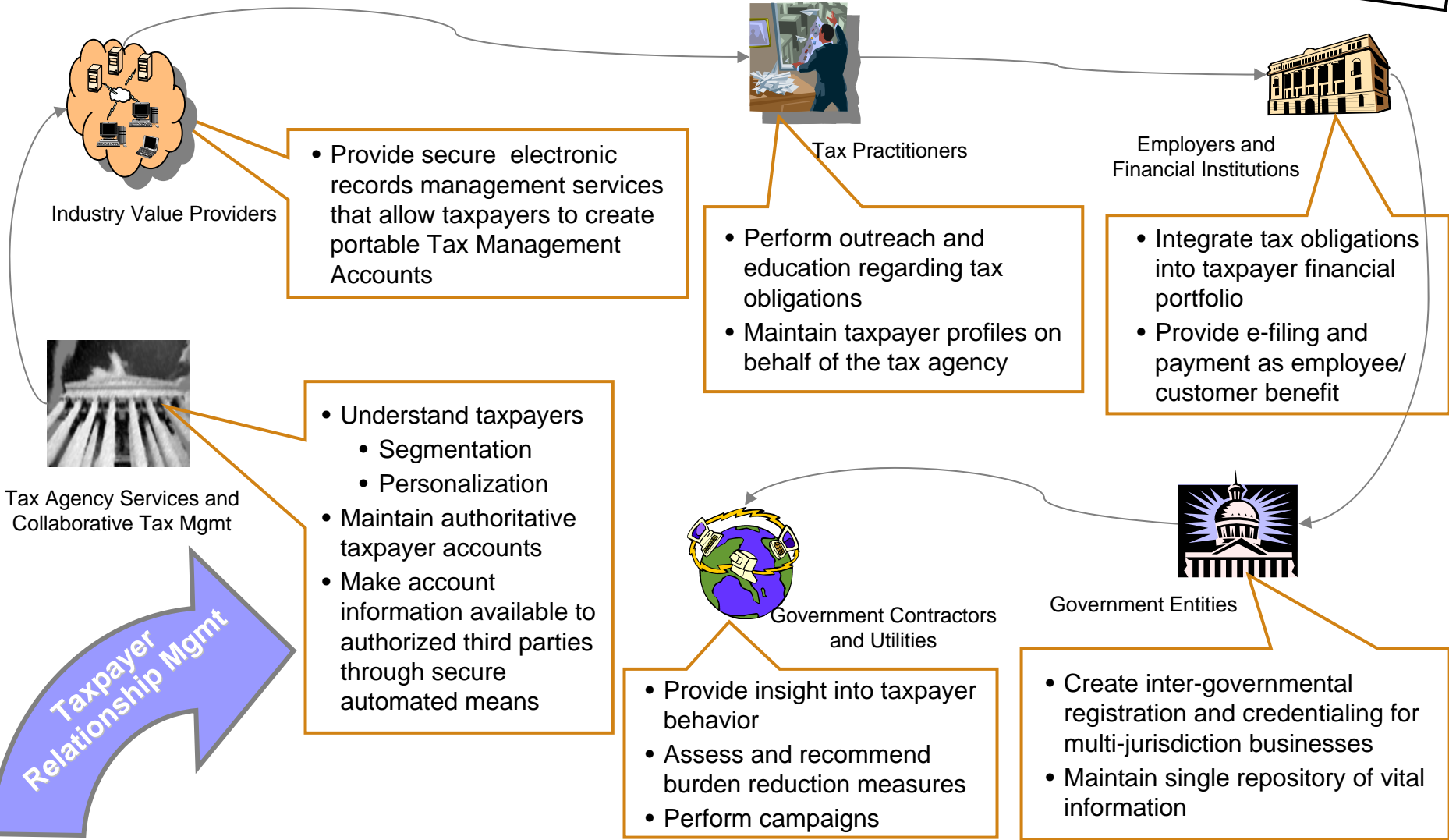


...as well as agents of the taxpayer



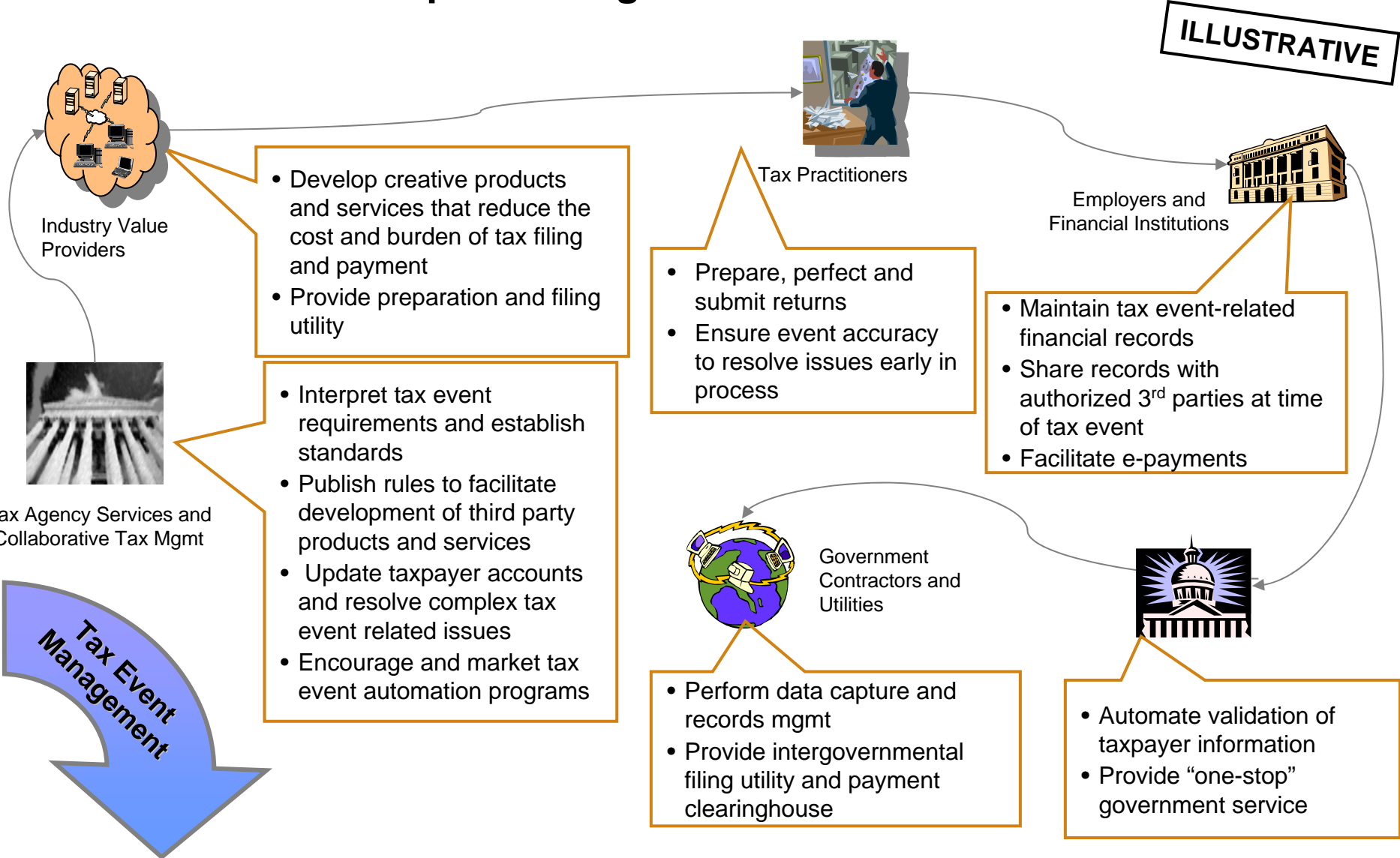
Taxpayer Relationship Management offers opportunities to reduce taxpayer burden

ILLUSTRATIVE



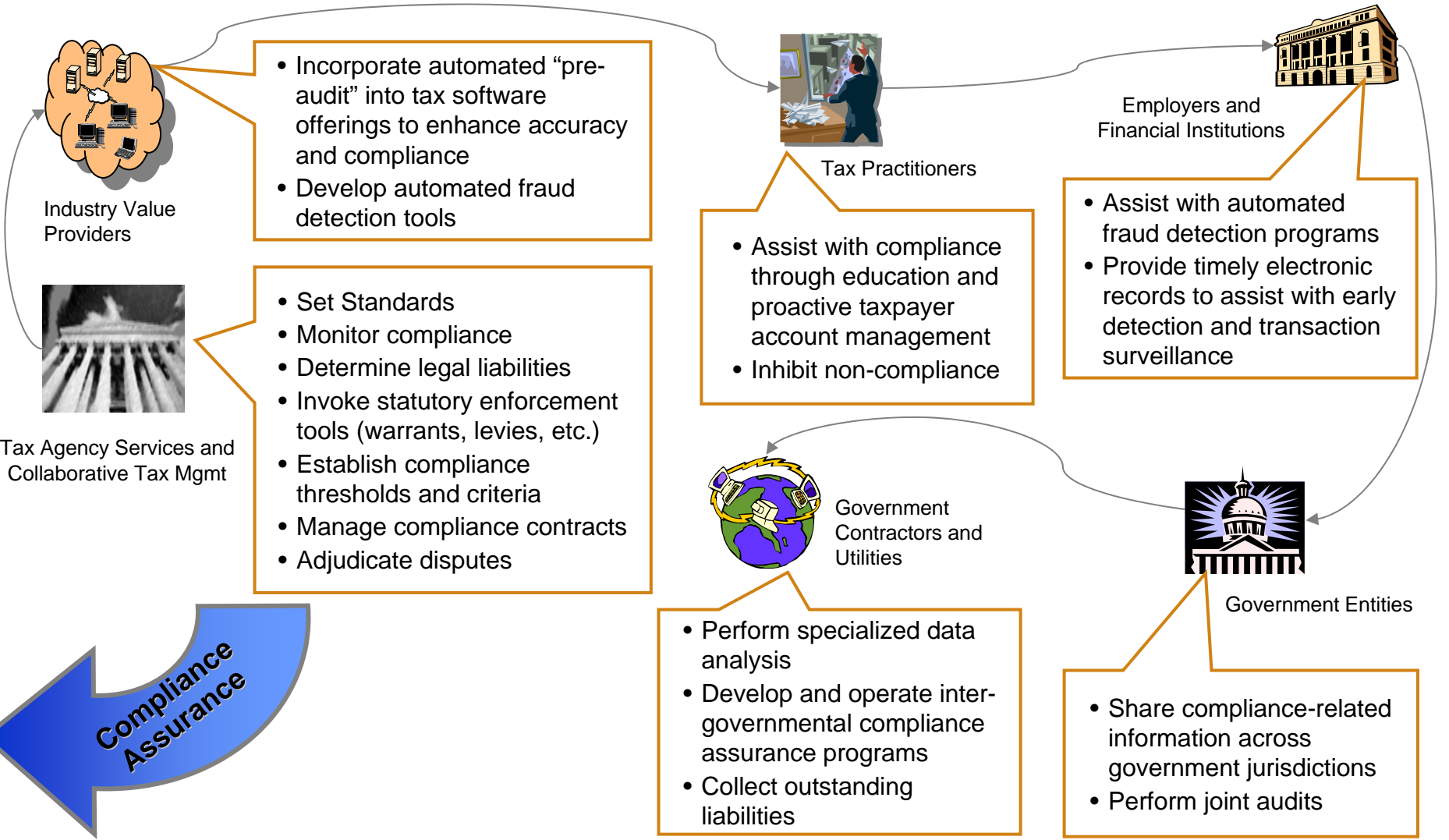
Tax Event Management will leverage industry specialization to reduce transaction processing costs

ILLUSTRATIVE



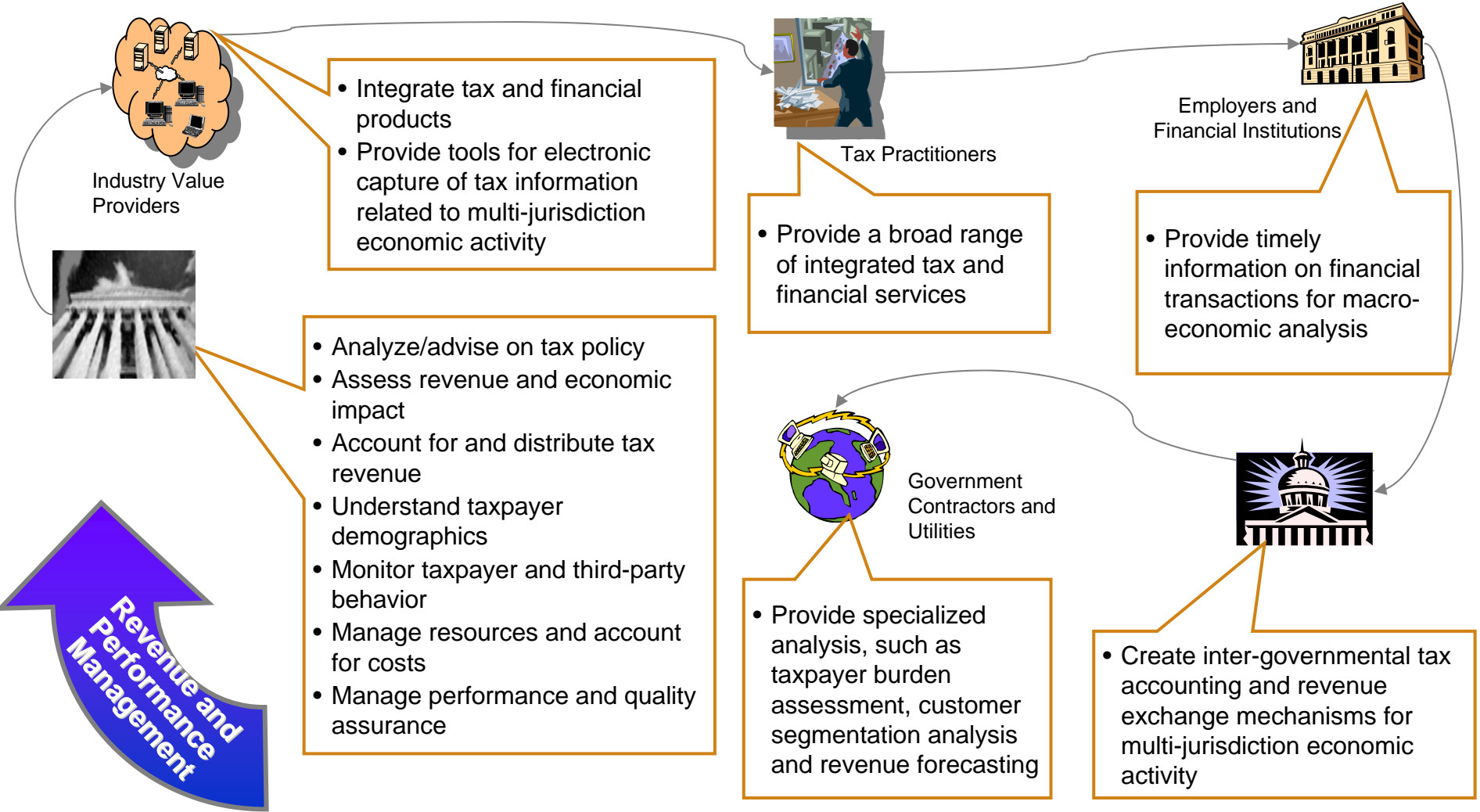
Compliance Assurance will drive shared ownership of early detection and remediation of errors, evasion and fraud

ILLUSTRATIVE



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

ILLUSTRATIVE



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:

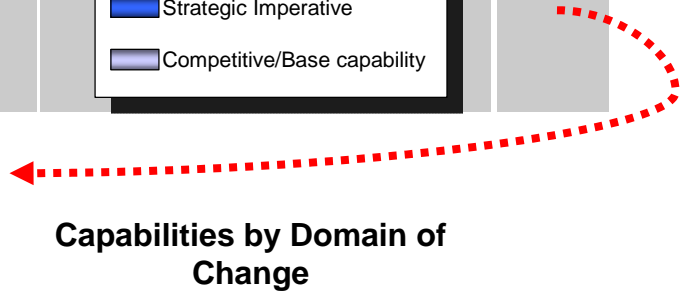
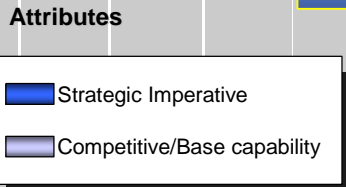
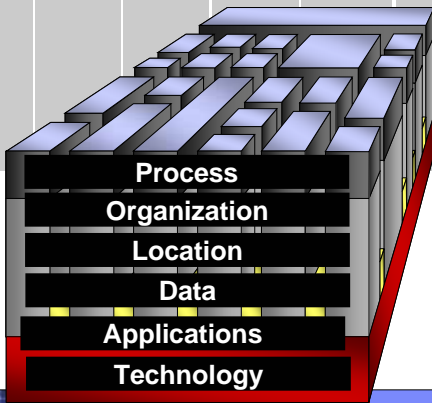
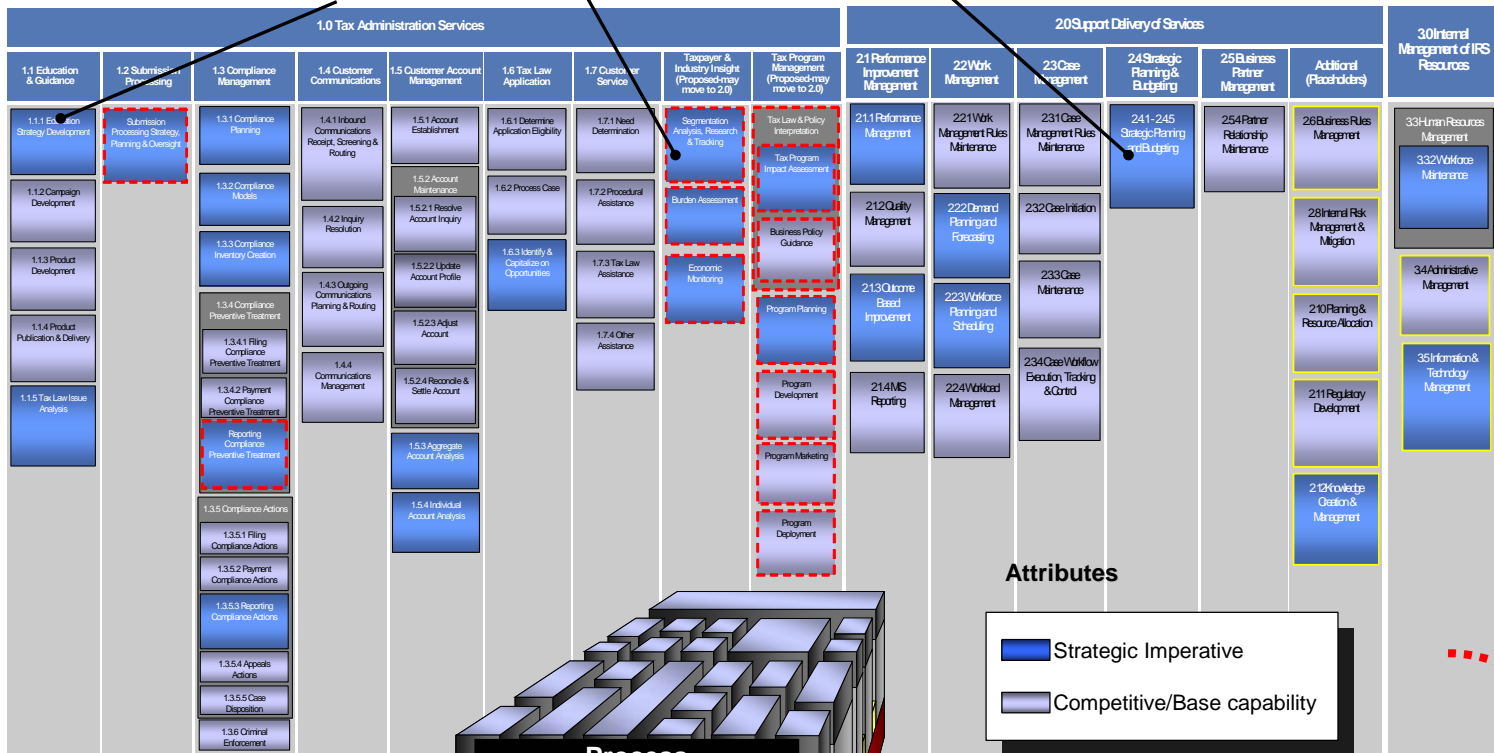
- Reduced cost per transaction
- Increased revenue per employee
- Increased partner service offerings
- Improved customer satisfaction

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

ILLUSTRATIVE



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

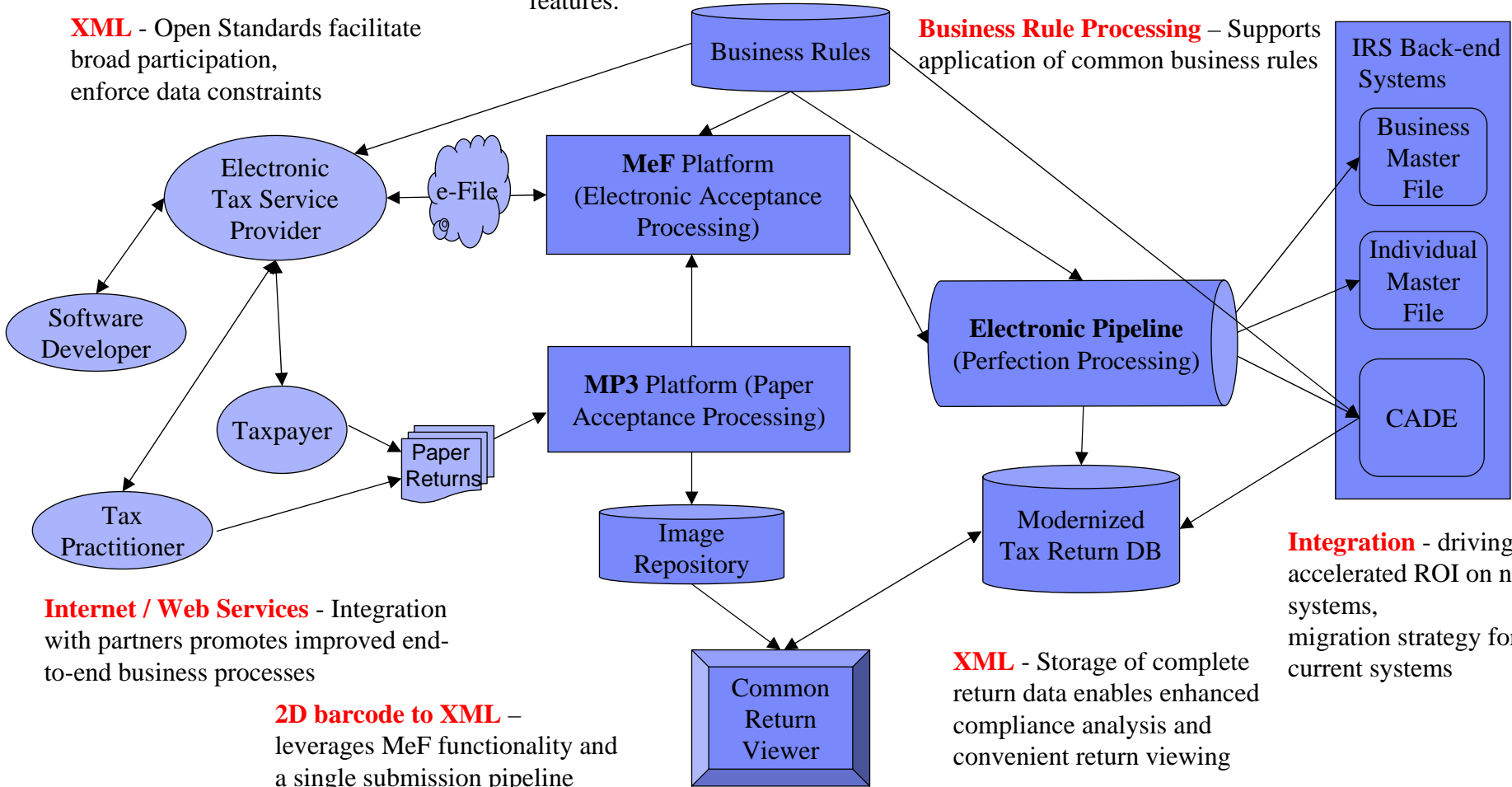
Focus on MeF as the starting point...

Services Oriented Architecture - Enables extensible, robust platform development. Leverages WebSphere J2EE / MQ features.

...and extend the model into an end-to-end e-Pipeline

XML - Open Standards facilitate broad participation, enforce data constraints

Business Rule Processing - Supports application of common business rules



Internet / Web Services - Integration with partners promotes improved end-to-end business processes

2D barcode to XML - leverages MeF functionality and a single submission pipeline

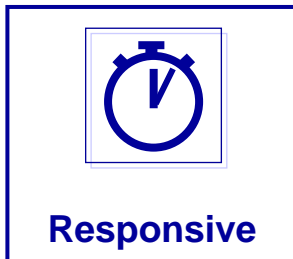
XML - Storage of complete return data enables enhanced compliance analysis and convenient return viewing

Integration - driving accelerated ROI on new systems, migration strategy for current systems

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

ILLUSTRATIVE

Integrated Personal Financial Management Portfolio

Your Financial Agent

- Online Banking
 - Sign In
 - Learn More
- Online Investing
 - Sign In
 - Learn More
- Concierge
- Credit Manager
- Estate Manager
- Financial Agent
- Insurance Manager
- Investment Manager
- Query Manager
- Safety Deposit Box
- Tax Manager**
- Other:
 - I Need...
 -

Actions taken on your behalf

- Paid 4 bills
- Sorted Email
- Updated Tax Man**

Actions Required by you

- Cash Flow Alert
- Check Life Event
- Stock Option Matu
- Revise 401K

Net Worth as of Oct 2

- Updated Budget
- Account Summary
- Trends/Advice

Cash Flow Alert

Input 1: **Your Tax Manager**
 Quarterly taxes due \$26,370 tax payment in two weeks

Input 2: Your Payment Calendar
 \$23,300 tuition - Brown University

Recommendations

Option 1: Sell XYZ Stock 575 shares
 (Rated Sell - 5 of 7 experts) **1CLICK**

Option 2: Sell X-Momentum Stock 300 shares
 (Rated Sell - 6 of 7 experts) **1CLICK**

***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 ...

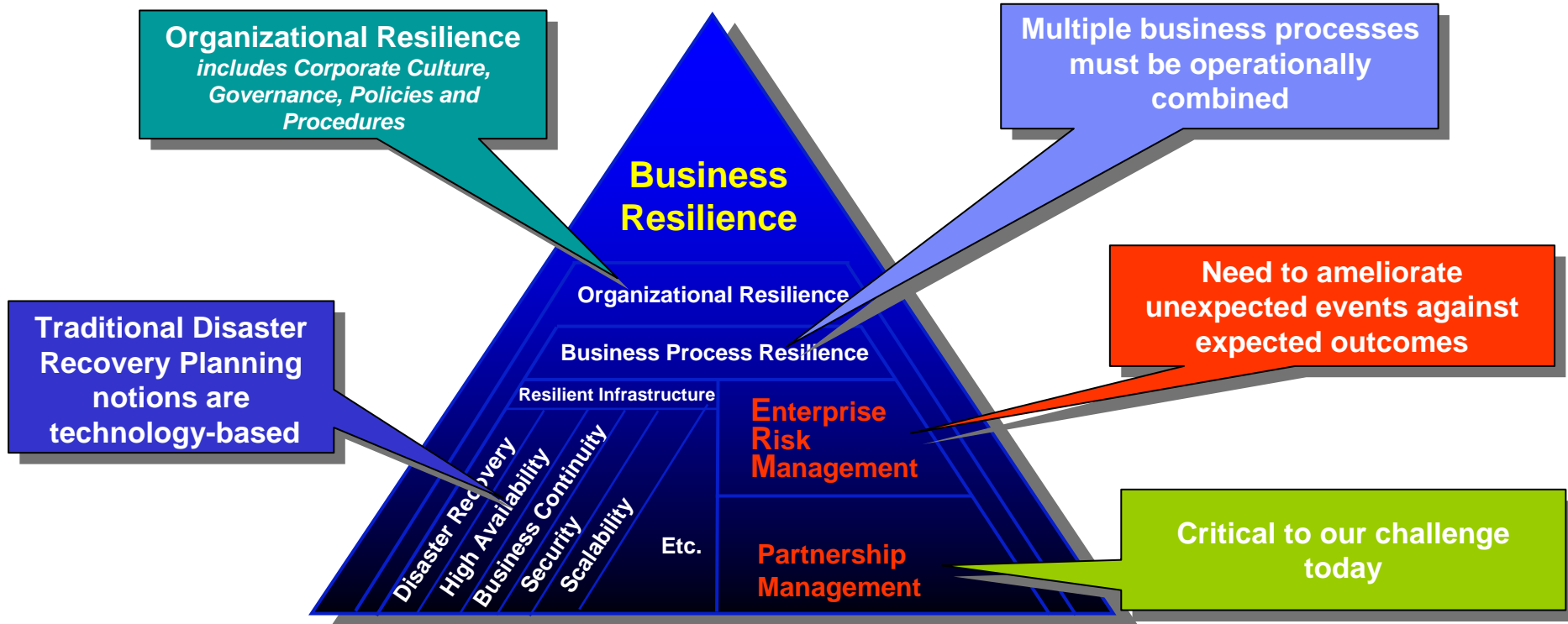
- Provide real-time monitoring of operating and security risks
- Build a secure, robust infrastructure and processes
- Provide fail-over capability to recover quickly from external disruptions

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*