

Carrie Banks • Communications Director • ALM

The Alabama Department of Revenue (ADOR) is responsible for the administration, collection and enforcement of more than 50 state taxes and fees, with annual collections exceeding \$9 billion, as well as the sales of all property acquired and sold by the state for delinquent property taxes. With 22 divisions and an average of 1,200 employees, ADOR hasn't always had an amenable relationship with Alabama's local governments – something Revenue Commissioner Julie Magee has made a priority to change, especially when it comes to administering taxes.

Governor Robert Bentley appointed Magee, a Mobile resident and former vice-president of the Mobile-based InsTrust Insurance Group, to the post of State Revenue Commissioner in January 2011. With a career spanning more than 20 years in the business community where she largely focused on competitive sales and market expansion in the insurance industry, Magee brought to ADOR a keen understanding of marketing and the importance of relationship building.

“I don't have the answers to solve every problem put in front of me, but I do have 1,200 really smart people I can go to for solutions,” Magee said. “We're really big on task forces around here. We create task forces to solve problems because I think the more heads you put together in a room, the creativity helps come up with better answers. We run the whole Revenue Department that way.” She also said she strongly relies on a team management approach and that she, along with her assistant commissioner, Michael Mason, and two deputy commissioners, Joe Garrett and Curtis Stewart, makes almost all major decisions in a group setting, including a concerted effort to work more strategically with local governments.

“Mike (Mason), my assistant commissioner, has been here 37 years,” she said. “He knows what was tried and worked; what was tried and didn't work; what's he's always wanted to try but didn't have the resources to support. Back when he started, the cities and counties didn't have the authority to administer their own taxes. The State did it all. He knows how bad we were at it. He's the one who's told me that we deserved the reputation we had.”

Magee said she's had strong support from

Governor Bentley, who has allowed ADOR to implement programs previous administrations thought were too controversial, ultimately leading to the One Spot program allowing businesses to file tax returns and pay city, county and state sales taxes via one centralized online system rather than submitting multiple tax reports.

One Spot

A ground-breaking program, One Spot is the result of a law passed in 2012 that set the stage for a more efficient system using existing ADOR software to allow businesses to file tax reports and pay sales, use and rental taxes for state, cities and counties simultaneously.

Magee said it didn't make sense that the state and the taxpayers had invested just over \$50 million for a software programming platform that manages more than 50 different taxes when local governments were doing essentially the same thing. “All the cities and counties were doing the same thing we were doing but using a totally different process to do it.”



Alabama Revenue Commissioner Julie Magee was appointed by Governor Robert Bentley in January 2011.

she said. “Some were automated. Some, like Jefferson County, had written their own systems. Some had outsourced it to a vendor. At the end of the day, it meant taxpayers were filing and remitting tax returns and payments in 400-plus different ways.”

Through One Spot, however, when the information on the return is electronically filed by the taxpayer, the system then sends the information and the payment to the right place. One Spot programming includes the local jurisdictions’ IDs so the taxpayers know they’re remitting to the correct jurisdiction. Behind the ID is the bank account and routing number for that local jurisdiction so the money automatically goes from the taxpayer’s account into the locality’s account – a seamless transaction. And, according to Magee, there’s an added bonus: “Because One Spot streamlines the reporting and collection process, counties and cities are now receiving taxes they never got before from businesses they never knew existed that are operating in their jurisdiction,” she said.

After an 18-month planning period, One Spot went live October 1, 2013. The way the statute (Act 2012-279) is written, every local jurisdiction (city and county) must participate in One Spot – either directly or through a vendor. According to Magee, just over 200 cities use a third-party vendor. For those localities that chose not to use a vendor but have limited software/hardware – and in order to avoid an unfunded mandate from Montgomery – ADOR has made \$1 million dollars available per year for three years via integration grants to allow local jurisdictions to connect to One Spot. “The Department recognized that for some localities, especially those with outdated systems, the implementation wasn’t so simple,” she said. “Some localities are hand-keying the information. They’re running reports, printing them out and then looking at the reports and keying in the information. Those are the localities I want to get a grant from us to put in hardware and software so they don’t have to hand key in the information.”

Approximately \$600,000 of the first million has been distributed thus far and Magee said ADOR has yet to reject an application. The integration grant application is a simple, two-page form and can be obtained by contacting Deputy Commissioner Curtis Stewart at Curtis.Stewart@revenue.alabama.gov.

Overcoming Implementation Obstacles

Magee said the 18-month planning period leading up to One Spot’s October 1st launch was often contentious. “The burden on getting started was really on the cities and counties,” she said. “They had the hardest burden in order to implement this – and they didn’t trust us because in the past we weren’t trustworthy.” Magee emphasized that she understood operating in a silo had been an issue for ADOR in the past so she made a concerted effort “to break down any sort of thinking that indicates Revenue first and local jurisdictions second.” She’s also firmly committed to creating a user-friendly experience for the taxpayer. “I really think that when it comes to tax collection, we had to streamline the approach so that the end-

user, the taxpayer who’s collecting and remitting the tax, has the best experience possible,” she said. “I believe that if you can leverage the steps in the process using one source, everyone benefits from that. So that was the whole rationale behind One Spot – leverage the state software so that a local jurisdiction can use it and the taxpayer can benefit through the ease of the process. A local official is a taxpayer, too. And their taxes paid for Revenue’s system.”

The first few weeks of the launch were challenging. “We had some glitches,” Magee said. “Our first month, we had 116,000 tax returns filed through One Spot. We’re up to around 166,000 now so there’s a lot of different users.” In addition to file formatting issues, Magee said ADOR inadvertently double-dipped into the accounts of about 500 taxpayers for two days without knowing it. “I was mortified over the error and so, between the nine taxpayer service centers throughout the state, we contacted every account and, in many cases, notified the taxpayer before they even knew it happened.” According to Magee, none of the service centers reported anyone angry over the glitch and that, instead, they repeatedly heard from taxpayers that they were extremely happy to have the One Spot system for filing.

One Spot Weekly Conference Calls

Magee said the Department is continually making improvements to One Spot based on feedback from municipalities and counties. For example, ADOR went live on March 1 with several specific innovations requested by the locals, including FEIN numbers with the sales tax returns so businesses can be easily tracked. The innovations have been generated through a series of weekly conference calls ADOR began sponsoring soon after One Spot launched in October.

“The conference calls were a very simple thing to do and probably one of the most important things we’ve done,” Magee said. The calls are open to anyone who wants to participate and are held every Tuesday at 10:30 a.m. During the calls, issues and solutions are discussed. Participants are also encouraged to send emails after each call to further discuss any issues they may be having with the program. The calls also serve as a way for the different jurisdictions to learn from each other. Reports from each session are available on ADOR’s website at <http://revenue.alabama.gov/salestax/oslclindex.cfm>. Magee said when they first implemented the calls, they lasted about an hour and a half each. Now that a lot of the early issues have been rectified, the calls may last around 15 minutes with 10 to 20 people on each call.

“I’m not afraid of competition and I’m not afraid of accountability,” Magee said. “If we can’t put a superior product out there that people want to use instead of another product, that’s on us. Our goal was to work with all the stakeholders, listen to their concerns and their needs and meet them. Once that’s done, you’ve established proof of concept. And that’s what we’re doing with One Spot, establishing proof of concept – that we’re dependable and that our decisions are based on

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how things affect the local jurisdictions. I believe once proof of concept is firmly established, there's no reason not to explore adding lodgings tax and other things like that to One Spot. The ultimate goal is to make it easier on business owners to do business with the State, the cities and the counties."

Technology and Data Protection

Magee said she feels ADOR is an early adopter of technology. The Department's tax collection software platform is designed such that additional processes can be added as needed. "We're one of 22 states using the same software, customized for Alabama," Magee said. "So if you're a multi-state business, our system looks really familiar to Georgia's and Louisiana's and others across the nation. Alabama has actually leveraged all the software's modules more than any other state."

Thanks to ADOR's software platform, the Department is now completely paperless. Magee said she was able to drop a \$100,000 per year lease on a 30,000 square foot warehouse and shred everything in storage because the Department went paperless. In addition to going totally paperless, 92 percent of the tax returns filed in Alabama by this past March were electronic. Three years ago, it was 78 percent. Last year ADOR went live for the first time with a simple, online Alabama State income tax return service that allows one to log onto the ADOR website, create an account and file his or her state income tax return free of charge. In addition, Magee said simple steps have been taken to save time and money. For instance, all checks are electronically scanned and the money goes directly into the bank, thus avoiding the need for physical deposits.

Data protection is also a top priority. "We have protected our data more so than probably any other state," Magee said. "We're the only state that has a five-person team dedicated entirely to security – just in Revenue. Five people's full-time job is to protect

the security of the taxpayer's information. We are forced now, because of ID theft and security breaches, to spend much more time protecting the taxpayer's information and trying to protect our systems from being breeched and basically trying to avoid sending out fraudulent tax refunds. We are trying to do everything within our power to verify and validate information."

For example, Magee said the Department recently added a driver's license field to enable individual verification through the Department of Public Safety so "we know you are who you say you are." If the field is left blank, it doesn't affect the process. The return can still be filed. However, Magee emphasized that this verification process is simply another way of using existing state agency resources to validate information and protect the taxpayer. "When your ID is stolen and used for a tax return, you can't file your own taxes," she said. "It is a nightmare to un-ring that bell." Catching individuals who create bogus tax returns is very important to the Department.

Aiding in Economic Development

ADOR has an Economic Development Division with three fulltime employees who meet with local city officials, county commissioners, chamber of commerce officials and existing business owners to determine what tax incentives and credits a project qualifies for. "You don't have to hire a law firm, you don't have to hire a lobbyist," Magee said. "Those three people work, free of charge, with the local officials to make sure that they know what exists and, if the project goes through, there's never any mistakes or question about the qualifications because all our incentives are statutory in nature and these employees know intimately how they're supposed to be applied. They work in tandem with the Department of Commerce on economic development projects as well as working with individual entities when requested."



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Magee said the Alabama Department of Commerce is always the lead and responsible for getting the project off the drawing board. "Then we are brought in along with any other appropriate agency that may apply, such as Alabama Power or the local chamber of commerce, and we do a team recruiting approach. Usually we're all sitting around the same table at the same time. That way we all hear what everyone has to say. It's a transparent recruiting process. There's never any question about what does or does not qualify. Not all the questions are answered right away, but most of them are. It's very reassuring to the business owner and the local officials that we're all on board together at the same time."

Magee said that in her three years with ADOR, she's learned other states have a contentious relationship between the Departments of Revenue and Commerce. "They don't want to give out tax credits and tax incentives to recruit new business," she said. "In Alabama we work together. Before one shovel of dirt is overturned, everybody has the knowledge they need in order to know what to expect."

Departmental Changes

Since her appointment as Revenue Commissioner, Magee has aimed to improve ADOR's reputation and the way it does business. "I've only been here three years, but I stepped into a really well run agency and well educated agency so I didn't inherit a lot of broken things; however, there were some things that needed to be rectified," she said. "We had a huge problem with nepotism so we rewrote almost the entire personnel handbook the first year I was here. Elementary stuff. I don't have a tax background but I do have a marketing and managing background. We rewrote a lot of the HR policies and brought them more in line with real-world models. We also made a lot of internal changes, mostly due to retirements. I took a couple of divisions that were, in my opinion, of critical importance to the overall tax revenue in our state that weren't getting the resources they needed and made them their own box on the organizational chart."

Magee said the rest of the changes have involved efforts to bring to fruition the good ideas that longtime employees have wanted to implement – programs such as One Spot and, more recently, a new online insurance verification system which will, hopefully, payoff down the road with fewer people being hit by uninsured drivers. "ADOR is verifying the liability portion of each person's car insurance every 30 days for every car that has an Alabama tag," Magee said. "That way, if someone lets an insurance policy lapse after the first payment, the system will catch it during the next 30-day cycle." Magee said Alabama is currently the only state to implement this particular program and that the Ohio Governor's office recently contacted ADOR to determine how the program works in Alabama so it can be replicated in Ohio.

Marketplace Fairness Act

In July 2013, Magee was elected chair of the Multistate Tax Commission (MTC), an intergovernmental state tax organization that works on behalf of states aiding in the administration of tax laws applying to multistate and multinational enterprises. After serving as vice-chair and treasurer of the MTC, she was the first

person from Alabama to hold this top leadership role with the organization and she has been very involved in national efforts to pass the Marketplace Fairness Act.

She fully expects the Marketplace Fairness Act to eventually become law and said once it passes, One Spot will help ease the transition. "When One Spot was created, it wasn't because of the Marketplace Fairness Act; however, when the Act passes, we'll need to have a mechanism to receive and distribute the out of state sales tax," she said. "So with One Spot, we look like we have a crystal ball in preparing for Marketplace Fairness Act. Other states know that our One Spot process has put us light years ahead of them. We are well poised for the six month period before any state can collect when the Act passes because in that six months you have to register all the businesses that don't already have accounts in your state – *thousands* of new businesses. We've already got our system in place via One Spot."

Stay Informed

ADOR's comprehensive website, www.ador.alabama.gov, covers many areas, including One Spot information. In addition, Magee strongly encourages local officials to sign up for the free notification services offered through ADOR to stay informed about current updates and changes affecting various state and local Alabama taxes. Visit www.revenue.alabama.gov/maillinglist/subscribe.cfm to begin receiving these important notices. ■



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