



2021 Annual Public Hearing

Meeting Minutes



June 7, 2021

Indiana Department of Revenue

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Indiana Department of Revenue

Indiana Department of Revenue 2021 Annual Public Hearing Minutes Summary

In accordance with the Indiana Taxpayer Bill of Rights, the Indiana Department of Revenue (DOR) held its Annual Public Hearing on June 7, 2021 at 10 a.m. at Conference Rooms 4 & 5 of the Indiana Government Center South Building in Indianapolis and online via Microsoft Teams Live.

Required by Indiana law, the purpose of this annual public hearing is to provide taxpayers an opportunity to recommend changes in statutes, departmental policies, processes and procedures to help the department better administer tax laws.

Individuals in attendance representing the Indiana Department of Revenue were:

- Commissioner Bob Grennes
- Chief Information Officer Kevin Gulley
- Chief Financial Officer Ed Vance
- Executive Director of Service Operations Monique Young-Wash
- Business Outreach and Education Manager Nancy Tyree

Attendees:

- Ben Smith, Indiana CPA Society
- Patrick Thomas, Notre Dame Tax Clinic
- Sherrill Rude, Indiana CPA Society
- Karen Ward, Indiana Legal Services LITC
- 16 additional in-person attendees
- 91 online attendees

10:00 a.m. Call to order by Nancy Tyree

10:00 a.m. Opening remarks by Nancy Tyree (See Attachment A)

10:01 a.m. Introduction of Commissioner Bob Grennes

10:01 a.m. Opening remarks by Commissioner (See Attachment B)

10:12 a.m. Call for Speakers/Introduction of Philip Jackson, Indiana CPA Society

- 10:12 a.m. Comments from Ben Smith (See Attachment C)
- Acknowledged the impact of the ongoing pandemic on the state.
 - Applauded DOR's proactive communication of complex issues, matching federal extended due dates and continuing to refine and rollout INTIME.
 - Recognized DOR's work to ensure Indiana's conformity with federal partnership audit adjustment regime is correct, payroll tax service providers are accountable and federal relief guidance act conformity has been communicated clearly.
- 10:15 a.m. Commissioner Grennes responded and expressed appreciation for comments
- 10:15 a.m. Introduction of Patrick Thomas, Notre Dame Tax Clinic
- 10:16 a.m. Comments from Patrick Thomas (See Attachment D)
- Noted that this commentary is shorter than in prior years due in part to the strides DOR has made over the last four years with the practitioner and business communities.
 - Recognized DOR's formal response to their 2020 Report and for working throughout the pandemic to make positive changes.
 - Referred to submitted comments and gave an overview on five key areas for DOR to focus on in the coming years:
 - Project NextDOR/INTIME rollout for individual taxpayers
 - Offer in Compromise and financial hardship programs
 - New "injured spouse" and non-liable spouse" procedures
 - Vehicle lien release procedures
 - Coordination with County Sheriff offices on tax warrants
 - Thanked DOR for the chance to provide comments and work together to improve services for taxpayers in 2021.
- 10:32 a.m. Commissioner Grennes responded and expressed appreciation for comments
- 10:34 a.m. Nancy Tyree expressed appreciation for in-person and virtual attendees and adjourned the annual public hearing



Indiana Department of Revenue

Attachment A: Opening Statement – Nancy Tyree

Good morning, my name is Nancy Tyree, and I am the Business Outreach and Education Manager for the Indiana Department of Revenue. I would like to personally thank you for attending or tuning into today's annual public hearing.

This hearing, as required under Indiana code, is for the purpose of providing taxpayers the opportunity to make recommendations to the department that administers tax laws in our state. This hearing is not a news conference or media opportunity. Nor is it a forum to debate Indiana tax laws—those are established by the Indiana General Assembly.

This is an opportunity for the public to suggest improvements in tax services and processing. We are always looking to improve our services to taxpayers, and we are very interested in hearing your ideas and suggestions.

We have two guest speakers present today who have notified us that they plan to make comments. For these guests, once the Commissioner is done speaking, we will call you up to address our team.

Now, it is my pleasure to introduce the Commissioner of the Indiana Department Revenue, Bob Grennes.



Indiana Department of Revenue

Attachment B: Opening Remarks – Commissioner Bob Grennes

Good morning and welcome to the Indiana Department of Revenue's 2021 annual public hearing.

My name is Bob Grennes, and I am honored to be DOR's commissioner, and a member of an amazing team that is comprised of 650 Hoosiers located in 13 locations across the great State of Indiana and selected locations around the country.

Joining me today are a number of DOR team members including:

- Kevin Gulley DOR's CIO and Project NextDOR Lead Executive
- Ed Vance DOR's CFO
- Monique Young-Wash DOR's Executive Director of Service Operations
- Chris Russell DOR's General Counsel
- Terry Livingston DOR's Executive Director of Agency and Business Systems Support
- Chris Perry DOR's Executive Director of Audit Operations
- Tammy Tschetter DOR's Director of Customer Service

Today's hearing is an opportunity to provide high-level updates on the work that our team has completed during the last year, a few areas of focus going forward, but most importantly, the chance to hear from Hoosiers on how we are doing and suggestions for improvement.

They say feedback is the breakfast of champions, and we always look forward to receiving feedback and inputting it into our continuous improvement engine.

Let me highlight that this is not the only opportunity to connect with us. Our website is loaded – and continuously updated – with great information and ways to contact each of our business units and all of our executives. You can also subscribe to a number of helpful newsletters and information streams. You can also follow us on social media, as we are active on all the popular platforms. Please don't hesitate to reach out to us – as we are here to serve.

When you are on our website, check out our annual reports that contain lots of information and data – and provide a full picture of agency services, operations and projects. Our FY21 annual report will be posted in September.

We share a heartfelt thank you and welcome to everyone that is in attendance and also everyone who is watching on the live feed. We truly appreciate your time.

Let me start by taking a quick look back to the last year, and I should say – wow, what a year.

Throughout the last year, the DOR team has stayed committed to our mission to serve Indiana by administering Indiana’s tax laws in a fair, secure and efficient manner.

We also have found new ways to capitalize on our award-winning culture, and the positive, trust-based relationships we have developed with our executive branch, legislative and industry partners.

We leaned on our passion for service and our core values throughout the year to help us operate this very complex agency and serve millions of Hoosiers, hundreds of thousands of businesses and corporations and key partners that are part of the Indiana’s tax administration system.

And we could not do it without those partnerships – including three that are represented here today – the Indiana CPA Society, the Notre Dame Tax Clinic and Indiana Legal Services, Low-Income Tax Clinic in Bloomington. Thank you for working with our team throughout the year and for being here today. It is great to see you.

Here are a few highlights since our June 2020 public hearing:

- the completion of the extended 2020 individual tax season – including successful operation of our industry-leading cybersecurity, ID protection and refund fraud prevention programs;
- the extremely successful implementation of all business taxes on the new Indiana Tax System – which is part of Project NextDOR;
- completion of major components of Project NextDOR’s Rollout 3, which includes Indiana’s individual and selected gaming taxes;
- successful implementation of new state-of-the-art motor carrier permitting and modernized registration systems;
- implementation of all 2020 annual and legislative changes and support of the 2021 legislative session;
- completion of the extended 2021 individual tax season; and
- implementation of a variety of service operations and process improvement projects.

In addition, throughout the last year, all required systems, operations and services have been effectively operated to administer Indiana’s 65 tax types and process over \$21 billion of Indiana tax revenue.

In spite of the continually developing challenges and complexities presented throughout the last year by the pandemic, the DOR team stayed true to our “find a way” mantra and tackled every challenge presented. The team also kept numerous critical innovation and service improvement projects on schedule and on budget.

And we are thrilled to share a couple of pieces of good news about our team.

After being recognized by the IndyStar as a Top Workplace in 2019 and 2020, we were honored to be awarded in January of this year with a national Top Workplace USA award by Energage™.

And just yesterday, the IndyStar announced their 2021 Top Workplace winners, and we were thrilled to hear our name called for the third consecutive year for this prestigious award. Our team lived our core values and kept our healthy, engaged culture fire burning throughout this extremely challenging year – and it makes us smile being recognized for what we care so deeply about and live every day.

Our team was also recognized this year by the Federation of Tax Administrators – our industry association – with two 2021 FTA Awards – one for our continued commitment to employee communication and engagement during the pandemic and one for our creativity and execution of employee training and skill development in the virtual world.

During the pandemic, Governor Holcomb challenged all Indiana state agencies to find new ways to take Indiana to the Next Level while continuing to provide great government service to Hoosiers. We are proud of the how we met that challenge during this unprecedented year.

Now let's take a quick look forward by highlighting three current areas of focus.

First, in addition to completing this year's individual tax season and closing the books for fiscal year 21, our team is currently working on a variety of impactful improvement projects to enhance the efficiency and quality of the services we provide. Continuous improvement is one of our core values, and we stay committed to pushing the envelope in that critical area.

Second, we are analyzing all of the changes associated with the recently completed legislative session, defining all the system and operational requirements and developing implementation plans.

And third, the entire agency is focused on continuing the success of Project NextDOR, which is the complete modernization of all of our tax administration systems and the service operations that this system supports.

After successful corporate and business tax rollouts of Project NextDOR in 2019 and 2020, we are just a few short months away from implementing all individual tax functionality, along with our industry-leading ID protection and fraud prevention functionality, in the new integrated Indiana tax system.

Thanks to the dedication and exhausting work by DOR team members across the agency and our partner FAST Enterprises, the first two rollouts have been extremely successful – implementing a variety of data quality, security, internal processing and customer service enhancements.

We are anxious to extend those enhancements to the tax types and service operations covered by Rollout 3 – scheduled for implementation over the upcoming Labor Day weekend. We will then pivot to the final phase of the project that will implement all remaining taxes on the new system.

I once again direct you to our website, where you will find excellent Project NextDOR information and helpful tools.

Since its initiation in 2017, this project has been consistently on schedule and on budget – and we are committed to keeping it that way through project completion in mid-2022.

Let me close by saying that the DOR team is proud of the last year, looking forward to what is ahead and excited about the opportunity to enhance our service to Indiana and the Hoosiers that count on us.

Once again, we thank you for your attendance and we look forward to your comments.

Attachment C: Ben Smith, Indiana CPA Society, Statement

Tax Resource Advisory Council

Indiana CPA Society

Comments: IN DOR Annual Public Hearing Comments

June 7, 2021



Thank you Commissioner Grennes and DOR team, for the opportunity to provide our comments today.

I am Ben Smith, chair of the Indiana CPA Society's Tax Resource Advisory Council and President & CEO of Estep, Doctor & Company in Muncie and Anderson. I am also fortunate to serve on the Commissioner's Tax Advisory Council.

Through serving in these capacities, I have a unique lens through which I see our state's tax agency. I recognize the challenges faced and appreciate the efforts DOR staff puts into serving Indiana taxpayers and tax practitioners each day. As trusted business advisors, CPAs know the best relationships are built on mutual trust and transparency. Our members appreciate the strong working relationship we have forged with the agency based on these foundations.

At this meeting last year, we were congratulating you, Commissioner Grennes, on being newly appointed by Governor Holcomb and for leading the agency through the storm that was COVID-19. At that time, we all hoped the skies were clearing for Hoosiers, our country, and our business, health and school communities. We could not predict a second "worst tax season ever" and ongoing financial distress and disruption to our lives and livelihood. Thankfully, we are here now, our state is fiscally strong, and we are again looking forward to bluer skies as we get back to our new normal.

As you know, typically, our work with the department is focused on identifying and addressing systemic problems, avoiding confusion for taxpayers and our members who represent them and preserving a fiscally sound and positive business environment.

In the twelve months since this meeting last year, together I think we have done that and more. We applaud your commitment to proactively communicating about complex issues and related implications with elected leaders, business groups and taxpayers. Notable wins include:

- Determining and triaging state tax conformity with ever-changing and evolving provisions and programs in the various federal relief acts.
- Matching federal extended due dates.
- Coordinated development of related guidance and communication efforts.
- Continued refinement of INTIME features and transition issues.
- Keeping INTIME development and rollout of the next phase on schedule.

Before closing, I would be remiss if I didn't call out the legislative, legal and policy, and communications staff who have worked diligently with our members and members of the Indiana Chamber to ensure Indiana's conformity with federal partnership audit adjustment regime is correct, clear and comprehensive, payroll tax service providers who take possession of a client's funds are accountable for withholding tax remittance, and guidance related to federal relief act conformity was clear and communicated to taxpayers and the practitioner community.

On behalf of our more than 7,100 member CPAs and accounting professionals who are transforming business in Indiana, I extend my sincere thanks to you and your team at DOR for your considerable efforts and service to Indiana's taxpayers.

Respectfully submitted:
Ben Smith, CPA, CGMA
Chair, Indiana CPA Society Tax Resource Advisory Council

The Indiana CPA Society is a statewide professional association representing over 7,100 CPAs and accounting professionals who are transforming business in Indiana.

Attachment D: Patrick Thomas, Notre Dame Tax Clinic, Statement



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June 7, 2021

Commissioner Grennes and Team:

My name is Patrick W. Thomas, and with my research assistant Francis Pagsanhan, I submit this commentary for the Department's 2021 Annual Public Hearing. I am an Associate Clinical Professor at the Notre Dame Law School and direct the Notre Dame Tax Clinic. Our Clinic represents low-income taxpayers who have controversies with the Internal Revenue Service (IRS) and the Department. For the past four years, our Clinic, along with the Clinics at Indiana Legal Services, Inc. and the Neighborhood Christian Legal Clinic, have submitted commentary regarding the Department's policies and procedures on Hoosier taxpayers—particularly low-income taxpayers.

This commentary is shorter than in years prior. Part of that is because of the early date of this year's public hearing. But part of this also stems from the excellent strides that the Department has made over the last four years through partnership with the practitioner and business communities. For the first time, the Department submitted a formal response, attached hereto as Exhibit A, to our 2020 Report. In reviewing the Response, our Report, and the Department's publicly available policies and procedures, it is clear that the Department has taken our concerns seriously and worked diligently—in the middle of a global pandemic—to make positive changes for Hoosier taxpayers and the Department itself. While more work lies ahead, Department leadership and employees should be proud of its work over the past year.

We address below five areas that, in our view, represent key areas for the Department to focus on in the coming year: (1) the NextDOR/INTIME rollout for individual taxpayers; (2) the Department's Offer in Compromise and financial hardship programs; (3) the Department's new "injured spouse" and "non-liable spouse" procedures; (4) the Department's vehicle lien release procedures and (5) the Department's coordination with County Sheriff offices in administering the collection of taxes through tax warrants.

NextDOR/INTIME Rollout 3 for Individual Taxpayers

The forthcoming Rollout 3 of Project NextDOR for individual Hoosier taxpayers is quickly approaching. As the project website states, Project NextDOR claims to be "a once-in-a generation project to modernize our current tax system." This presents a clear opportunity to take advantage of this unique moment and improve the experience for individual taxpayers and the practitioners assisting them. We appreciate the Department's responses to some of our long-running concerns regarding access to information about taxpayers' payment history. In particular, we note the forthcoming capability within the INTIME system to view account details of individual taxpayers such as payment history. We look forward to seeing the new system in action to determine its impact on the experience for taxpayers and their advocates. We are hopeful that the changes in the anticipated rollout will provide taxpayers and practitioners with improved experiences in their relationship with the Department.

However, a new rollout also presents unique challenges that will likely arise. One concern with the move to the new system includes the issue of access to the INTIME system. Modernization is well

and good but there remains a segment of the population that may be adversely affected if they remain without clear guidance as to how to navigate the new system. One concern will be the potential difficulties with establishing accounts, both for individual taxpayers and their authorized ePOAs. Requiring the creation of new accounts may pose more of a barrier, particularly for those Hoosiers or their ePOAs that may already have a difficult time navigating the Internet. It is also not immediately clear whether individual taxpayers must have INTIME accounts of their own for their authorized ePOA to access their information or whether it is enough for just the ePOA to have an account of their own.

Therefore, we recommend that the Department should consider, in the lead up to Rollout 3 and certainly before next year's filing season, some form of instruction, and/or workshop for authorized ePOAs to develop some familiarity with the INTIME system, especially regarding where and how to access specific information and the capabilities of the new system. Additionally, we encourage the Department to also make any communications surrounding Rollout 3 clear, concise, and easy to understand for the lay public. We recommend that practitioners be allowed to opt-in to electronic-only correspondence and to retain traditional paper correspondence if desired. Any move to a completely paperless system (i.e., all correspondence from the Department to individual taxpayers or their authorized ePOAs will default to being made through the INTIME system) should be clearly communicated and taxpayers and their ePOAs should be allowed to request notification by traditional mail methods.

Additionally, some concerns we have expressed in prior years over the language, format, and design of previous forms such as the AR-80, AR-40, and the letter informing filers of return adjustments could best be addressed during this reconfiguration. We appreciate the Department's response to our recommendations last year taking our concerns about these forms under consideration. We look forward to seeing the changes made to these forms and hope to continue to work with the Department in future to continue to improve them.

Therefore, we continue to encourage the Department to take this opportunity to improve the Notice of Proposed Assessment, the Demand Notice for Payment, and Letter informing individual filers of return adjustments from the forms (the AR-80, AR-40, and current return adjustment letter, respectively) they are set to replace. We particularly encourage that the Demand Notice for Payment form: (1) provides better information regarding remedies available, and (2) provides clearer next steps to proceed after receiving the form, especially where the taxpayer cannot pay the liability in full. We further encourage that the Return Adjustment letters: (1) be designed so taxpayers do not consider it a bill, (2) makes clear in plain language what changes are proposed, (3) includes information regarding next steps, especially how to begin the written protest process, and (4) if the Department wishes that these letters are to function as a Proposed Assessment, that the language of the notice must comply with Indiana Code § 6-8.1-5-1(d).

We also highlight the need to maintain taxpayers' rights to protest issues with their proposed tax assessments. Under Indiana Code § 6-8.1-5-1(b)-(h), the process for protest and appeal of assessments is rigorously laid out. From conversations with Department leadership, it appears that the Department does not always treat a taxpayer's response to a Proposed Assessment as a "Protest" that provides an administrative hearing and appeal rights to the Indiana Tax Court. For example, an individual who forgets to include a required schedule or from whom the Department otherwise requests documentation may respond to the Proposed Assessment not with a Protest, but with the requested documentation. The Department then routes this documentation to the appropriate

business unit, rather than the Legal Division. This process represents efficient customer service; however, the Department should ensure that its internal processes treat responses to Proposed Assessments or adjustment notices, as a matter of law, as satisfying the Protest requirements of the Indiana Code.

Therefore, we likewise encourage the Department to review its processes and take this opportunity with the move to the INTIME system to thoughtfully consider the treatment of documents sent in response to Proposed Assessments and Return Adjustment Letters as potential protests. Short of this, we encourage the Department to place clear language and instructions understandable to the lay taxpayer on the adequate and proper next steps to take in response to a dispute to preserve the taxpayer's right to protest and, if necessary, appeal. We also await whether the protest process will also be moved into the INTIME system. If there are no immediate plans to do so, we encourage the Department to strongly consider streamlining the process by having the Protest Submission Form available to be completed and submitted online, with a direct link and clear instructions accompanying Proposed Assessments and Return Adjustment Letters within the INTIME system.

OICs and Hardship

We appreciate the Department's responses over the past few years to our concerns regarding the Offer in Compromise and Financial Hardship programs. In particular, we note the Department's mirroring of IRS forms and the stated policy of following IRS collection financial standards. This helps practitioners and the Department to be more efficient in serving our customers and, as noted in last year's submission to this hearing, in collecting revenue.

We hope the Department focuses on ensuring that employees follow this policy, and that that policy is published in an accessible format. In our experience, Department employees are **not** following the IRS collection financial standards, as set forth in Internal Revenue Manual sections 5.15.1 and 5.8.5, which provide guidance to the IRS on assessing a taxpayer's ability to pay. So, while the Department's leadership often notes that it has worked to follow IRS guidelines, practitioners have not seen this in reality.

Spousal Relief

The Department has made excellent strides in the past few years to improve various forms of relief for taxpayers and their non-liable spouses. In particular, it created a checkbox on the 2020 IT-40 allowing for certain spouses to avoid negative financial consequences for filing the returns jointly and clarified the instructions for requesting spousal relief. This is particularly important for taxpayers requesting "injured spouse" relief, as previously the Department published no materials that highlighted its availability. Importantly, the Department also no longer uses the term "innocent spouse relief," in its instructions and forms, such that taxpayers will not confuse this with "injured spouse" relief.

The current instructions for the 2020 IT-40 indicate that a taxpayer should check the box where they (1) are an injured spouse—i.e., their joint refund will be offset to a separate debt of their spouse, and (2) are a not liable for a tax debt of their spouse ("non-liable spouse"). In either case, the instructions indicate that the Department will send a worksheet to taxpayers who check this box. Adding this to the Department's ordinary return processing workflow is a tremendous help for Hoosier taxpayers, especially those who are low-income and may otherwise not know that these forms of relief exist.

We offer a few friendly suggestions as to how the instructions could be clarified.

- Does the checkbox refer only to the tax year for the form the taxpayer is filing, or for prior tax years too?
- How does the Department know whether a spouse wishes to be an “injured spouse” or a “non-liable” spouse?
- The IN-40PA referenced in the instructions does *not* appear on the general forms page (<https://www.in.gov/dor/tax-forms/2020-individual-income-tax-forms/>) but is available through a Google search or through clicking the “Miscellaneous Forms” section in the bottom of the screen. We suggest moving this form to the general forms page.
- The Form IN-40PA itself is much improved from the prior IN-40SP and addresses many of the concerns raised in our submission to the 2020 Annual Public Hearing. We thank the Department for these changes. We suggest clarifying the language in the Form such that customers can understand **under what circumstances** they are “not responsible” for a liability reported on a joint return—i.e., when the liability arises from income that that taxpayer did not earn, per Indiana Code § 6-3-4-2.

Vehicle Lien Release Procedures

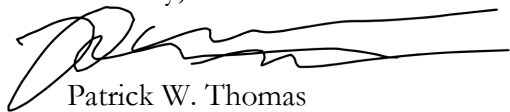
In our previous reports, we have also noted issues of the Department’s vehicle lien release procedures. We acknowledge and thank the General Assembly for passing language in SEA 400 in the recent legislative session, requiring the implementation of an electronic lien and title system by 2023. Though we recognize this is primarily within the purview of the Bureau of Motor Vehicles, we continue to encourage the Department to work closely with the BMV in the process of implementing this new system with a view to improving and streamlining the interactions of taxpayers working with the Department to remove vehicle liens.

Sheriff Notices

Finally, we appreciate the Department’s response to our suggestion of creating a standard template for County Sheriff notices pertaining to tax warrants. We are particularly mindful that the Department may not wish to *mandate* the language contained in the tax warrant notices; that may be a decision best left either to the individual County Sheriff or to the General Assembly. Nevertheless, the Department should consider adopting a *preferred* or *standard* Sheriff’s notice, that makes clear that the Tax Warrant provides the authority to collect taxes only—not to arrest the taxpayer for nonpayment of taxes.

We thank you for the chance to provide these comments and look forward to collaborating with the Department as it works to improve service for Hoosier taxpayers in 2021.

Sincerely,



Patrick W. Thomas
Associate Clinical Professor
Notre Dame Law School



Francis Pagsanhan
Research Assistant

Appendix – Exhibit A



INDIANA DEPARTMENT OF REVENUE

Eric J. Holcomb, Governor
Bob Grennes, Commissioner

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April 2021

Status Update on Recommendations Provided in the 2020 Report on State of Indiana Tax Administration for Low-Income Hoosiers

Every year, beginning in 2017, Patrick Thomas, in conjunction with representatives from the Low-Income Taxpayer Clinic community, has shared recommendations for Indiana Department of Revenue (DOR) systems and processes. We have worked diligently over the last four years to incorporate this valuable input into our continuous improvement project portfolio. With each year's report, Patrick has graciously acknowledged the improvements that DOR has made and our commitment to continuing to find ways to improve tax administration for all Hoosiers. We appreciate this acknowledgement and continued support. It is because of positive relationships such as this that we can further improve our services to all Hoosier taxpayers.

Pandemic and Budget Reduction Challenges

Since the 2020 Public Hearing (June 26, 2020) and receipt of this report, DOR has been under extreme pressures to effectively operate this very complex agency, serve all constituents, stakeholders and partners and keep all critical projects on track – including Project NextDOR. Our team has been challenged to do all of this work during the COVID pandemic while under very strict budget and staffing reductions. These challenges have required herculean efforts to operate current systems and processes. While we have made some progress, these constraints have significantly limited our ability to research and tackle additional improvement initiatives like many presented in the 2020 report.

These challenges will be present for the foreseeable future and will continue to limit our ability to analyze and implement improvements. We thank you in advance for your understanding and patience.

The following pages include brief responses to the report's recommendations. These responses will serve as discussion material as we continue to work together to improve Indiana's tax administration services.

Issue #1: Return Filing Complexity

Recommendations:

1. Similar to the review ordered by the IRS Commissioner, the Commissioner should conduct a review of the Department's relationship with FreeFile.

As noted in your report, DOR has worked diligently over the last few years to accurately promote the availability and eligibility of free e-filing through INfreefile and the Free File Alliance. The IRS has done the same, including implementing notable improvements in their marketing and promotional materials.

The number of Hoosiers benefiting from free e-filing via industry leading tax preparation service providers continues to increase – which is a win/win for eligible Hoosiers and DOR (due to the many benefits of electronic filing). We are pleased with how our efforts have positively contributed to this increase and helped many Hoosiers enjoy the benefits of free e-filing.

Issues related to certain software provider marketing have been addressed by the IRS.

We annually review DOR's participation in Free File and will continue to monitor program developments to assess Indiana's participation. We believe the benefits of this program for eligible Hoosiers are significant and we foresee our participation continuing.

2. The Department should consider implementing an optional, return-free tax compliance system for individual taxpayers who are full-year residents of Indiana.

There are no current plans for Indiana to develop, implement and maintain any type of individual tax return filing system. The short and long-term costs, complexities and risks are better left to organizations that have high-levels of organizational capability in that field and who also have the extensive resources needed to continuously maintain and improve e-filing software and associated services.

3. If the Department chooses to continue collaborating with FreeFile, it should market FreeFile in a clear manner so that taxpayers understand potential pitfalls in accessing and using a truly free filing product.

We enhance INfreefile marketing materials every season and will continue to do so.

4. If the Department chooses to continue collaborating with FreeFile, it should place a disclaimer on the Department's FreeFile page notifying taxpayers that filing a free federal tax return with a Member not listed on the Department FreeFile webpage does not guarantee a free Indiana tax return.

We will consider this recommendation during future INfreefile marketing work.

5. If the Department chooses to continue collaborating with FreeFile, it should not prominently encourage previous e-filers to create a new account each year as it currently does, as this may not be technically possible for taxpayers. It should instead offer this as a potential solution in the FAQ's.

We agree that this is less than ideal, but it is a Free File Alliance program requirement that requires participating vendors to address. We will share this concern through our Tax Administration Association who are well equipped to share it with the IRS Free File administrators and participating vendor community.

6. The Department should announce on its FreeFile webpage that H&R Block will no longer be a Member of Free Alliance after this filing season to avoid future confusion and should update its update accordingly as other Members decide whether to stay.

We specifically list the participating vendors. In the future, we can call out previous vendors that no longer participate.

Issue #2: Modification of Notices Sent to Taxpayers

Issue #2a: Modification of Proposed Assessments

Recommendations:

1. Include instructions regarding the protest process with the mailed AR-80, and a copy of the Protest Submission Form (State Form 56317) with its instructions.

The AR-80 (current RPS system) and NOPA (Notice of Proposed Assessment in the new ITS system) both provide information about the ability to protest, where to access information about the protest process and a telephone number to ask questions and obtain assistance. For Hoosiers without access to the Internet, they can obtain assistance by calling Customer Service or by visiting any of our 12 district office locations.

A small fraction of proposed assessments are protested. The cost of printing and mailing the Protest Submission Form with every proposed assessment, most of which would be discarded, would not be a good use of taxpayer dollars.

2. List contact information to the Legal Division of the Department.

Customer Service is the best source for Hoosiers to ask questions related to proposed assessments and obtain protest guidance. The Legal Division is not staffed to handle such calls, nor would it be the best usage of Legal Division staff time to field these calls.

Issue #2b: Modification of Demand Notices

Recommendation:

1. Better inform taxpayers of remedies available. Examples include:
 - a. Include payment plan options via phone and internet directly on the AR-40; and
 - b. List contact information to the Taxpayer Advocate Office.

The AR-40 is being replaced by the Demand Notice for Payment (DNP) in ITS. The DNP for individual taxes is currently being designed. We will consider these recommendations during the design work.

The Taxpayer Advocate Office is a small and specialized team that is not staffed to handle large volumes of incoming general assistance calls. Including the TAO number on all billing notices would very likely drive large volumes of calls that: 1) are best handled by the larger customer service team and 2) would significantly impact TAO's ability to serve the Hoosiers that require their specialized services.

Issue #2c: "Math Error" adjustment notice

Recommendations:

1. If the Department continues to use the Math Error notice for substantive changes to a tax return, it should change the notice so that it includes information on those changes, in plain language so that taxpayers may understand the proposed change.
2. The Department should list eligibility criteria for each option to challenge the conclusions of the letter to guide taxpayers in taking the appropriate approach.
3. The Department should include the information on its webpage regarding the written protest process directly on the letter and include the Protest Submission Form.
4. If the Department wishes to use the math error notice as a Proposed Assessment, it must change the language of the notice to comply with Indiana Code § 6-8.1-5-1(d).
5. The Department should reformat the Math Error notice so that taxpayers do not confuse it with a bill (i.e., a Demand Notice).

The current letter informing individual filers of return adjustments is produced from the old legacy system (RPS). We agree that it is in need of improvement.

This letter is currently being designed for individual taxes (Rollout 3 of Project NextDOR). We will consider these recommendations during the design work.

Issue #3: Taxpayer Payment History

Recommendation:

1. Ensure that the Project NextDOR software that will be rolled out for individual taxpayers in Fall 2021 includes an effective payment tracking system, including withholding, estimated tax payments, voluntary payments, state and federal tax refund offsets, and enforced collection activity.

ITS (DOR's new system) includes account details on all payments. INTIME access will provide access to this information for individuals that setup an INTIME account or for their authorized ePOAs.

Account transcripts will be available for individual taxes with Rollout 3 of Project NextDOR, scheduled for September 2021.

Issue #4: Offer in Compromise & Hardship Procedures

Recommendations:

1. Publication of all Department policy related to the evaluation of Offer in Compromise requests and Economic Hardship requests.

We disagree with your report's assertion that DOR's OIC and Hardship guidelines and practices are ad hoc, arbitrary and misguided. On the contrary, they are systematically designed and operated in a fair, secure and efficient manner. Working closely with you over the last few years, numerous program enhancements have been implemented, including adoption of many IRS program components. We also have significantly enhanced the program information published.

We believe that publicly publishing additional details of these program's calculations and decision logic would not be in the best interest of the State.

2. Revision of these guidelines to focus on the taxpayer's ability to pay; rescission of all guidelines that focus on a comparison between the amount of the liability and the ability to pay; and a focus on prioritizing the taxpayer's future voluntary compliance.

We disagree with your report's assertion that TAO's responses to offers are arbitrary, inconsistent or unfair. DOR's OIC and Hardship programs are designed and operated to be fair and consistent. A fundamental part of our process is helping taxpayers address their past tax liabilities in conjunction with future compliance education and assistance. The TAO service representatives care deeply about serving every Hoosier they assist and work tirelessly to find a solution that is reasonable and fair for all parties.

As stated on DOR's website, "The Taxpayer Advocate Office will determine whether the amount offered is the largest possible amount which realistically can be collected and determine whether the offer is in the best interest of the State." This practice will continue.

We continue to be open to working together to identify improvements, but we are not planning on additional program modifications at this time.

Issue #5: Notices for Authorized Representatives

Recommendation:

1. Copy representatives on all Department correspondence.

The ability for authorized representatives to have access to all of their clients' correspondence is functionality included in Project NextDOR via the INTIME ePOA process.

Issue #6: Vehicle Lien Release Procedures

Recommendations:

1. Provide published guidance and procedures on how a taxpayer may release their vehicle title lien and obtain clean title. Procedures should include detailed payment options and direct contact information to both the Department and the BMV.

DOR understands there are times liens need to be released without full payment, such as when a car should be salvaged, the customer owing the taxes is deceased and when a car is purchased through a private sale and the lien is discovered after the fact. There are processes currently in place to complete this action.

We will look for ways to enhance DOR's website information on how a lien release can be requested.

2. Procedures should be included on both the mailed notices sent to taxpayers and on a Department webpage.

The Notice of Title Lien contains a contact number where recipients can seek additional information. We are exploring options for including additional information on the Notice without requiring a second page that would increase printing and mailing costs.

We will continue to look for ways to enhance communication on the process and improve understanding with impacted taxpayers. We will also work with our colleagues at the BMV to inquire about enhancing their language around lien releases.

3. The Department should consider collaborating with the BMV to implement an online vehicle lien release system to improve communication between the departments and ensure a more reliable system for impacted taxpayers.

Vehicle lien release procedures are largely within the province of the Indiana Bureau of Motor Vehicles (BMV). The relevant law, IC 9-17-5, is found within the motor vehicle code of Title 9. The BMV website contains information regarding securing the release of a lien which can be found at <https://www.in.gov/bmv/titles/liens>.

The underlying law and the procedure for the release of liens on passenger vehicles is within the province of the Indiana Bureau of Motor Vehicles. DOR has an internal process in place to assist with removing liens from titles. Customers work through Customer Service to effectuate a lien removal.

Development of an Electronic Lien and Title (ELT) System

This is a project that has been a topic of discussion at BMV for multiple years. The effect of this system would be to greatly streamline and simplify the process of placing and releasing motor vehicle liens. DOR fully supports the ELT effort and implementation, and, in light of the recommendations made, will work with BMV to ensure procedures are written as clearly as possible and communicated to the greatest extent possible.

Statutory language has been passed by BMV over recent sessions clarifying that titles could be issued electronically and stating that BMV “may” implement an ELT system. This session, language is being pursued that would change the “may” to a “shall” and would provide a date in 2025 by which such a system must be implemented.

Issue #7: Innocent Spouse Procedures & Issue #8: Injured Spouse Procedures

Recommendations:

1. Create a new schedule for the IT-40 that allocates items of income, deductions, and credits among spouses filing a joint return. Consistent with the Indiana Code, process any resulting liability as two separate assessments. This would obviate the need for the current post-filing relief process and could be accomplished using information that taxpayers already provide to tax return preparers or input into commercial tax preparation software.
2. Alternatively, develop a simpler form to request Innocent Spouse relief with clearer instructions. This will allow for quicker turnaround, will not dissuade eligible taxpayers from pursuing relief, and will reduce discretion in granting the mandatory relief that the Indiana Code requires.
3. Explain and publicize the Department’s definitions of “injured spouse” and “innocent spouse” and the differences from the IRS definitions.
4. Develop injured spouse guidance and forms that will allow injured spouses to not be affected by current and former spouse’s liabilities.
5. Provide a form to allow injured spouses to request injured spouse relief when filing their tax returns, similar to the IRS process.
6. Publicize the availability of injured spouse relief, including relevant procedures for taxpayers to avail themselves of this relief for state tax debts, other state agencies, and the Treasury Offset Program.

For the 2020 tax season, a checkbox was added to Schedule 7 of the IT-40 and to Schedule H of the IT-40PNR. The instructions advise customers to check the box if they are filing a non-liable spouse claim. Instructions also advise them to attach supporting documents. This information is now being captured to trigger the return to be manually reviewed and processed.

During the individual tax rollout of project NextDOR, ITS will create the option for the customer to claim that they are a non-liable spouse. This selection will trigger an automated process to properly adjust the return.

Issue #9: Sheriff Tax Warrant Notices

Recommendations:

1. Develop a proposed standardized tax warrant notice for county sheriffs.
2. Alternatively, require sheriffs' tax warrant notices to include (1) disclaimer that a tax warrant is not a warrant for arrest and (2) disclaimer that the Indiana Department of Revenue issues the tax warrant and sends it to the sheriff for collection purposes for 120 days.

DOR agrees that it makes sense to add language to all sheriff notices clearly stating that it is not a warrant for arrest. Both examples of sheriff letters provided as exhibits did state that the warrant was for tax debt, but did not implicitly say it was not a cause for imprisonment. DOR believes it is a good suggestion to explicitly provide such information on sheriff notices.

However, DOR has no control over the sheriff notices because each county sheriff manages their own collections processes, forms and procedures. It would be extremely difficult, if not impossible, for DOR to develop a template that could cover all circumstances and attempt to "require" all of Indiana sheriffs to use it. One suggestion would be to take this request to the Indiana Sheriff's Association and/or the Association of the Clerks of Circuits Courts of Indiana.

This is an instance where there may not be a solution that can be effectively implemented without legislation providing those specific elements that must be included in such a notice. This legislative action might be a good topic for the 2022 non-budget session. We would certainly be open to, at a minimum, assisting with suggested legislation.