



INDIANA DEPARTMENT OF REVENUE

Eric J. Holcomb, Governor
Bob Grennes, Commissioner

Indiana Government Center
100 N. Senate Ave
Indianapolis, IN 46204-2253

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Mr. Zachary Jackson
State Budget Director
Indiana State Budget Agency
200 W. Washington St., Suite 212
Indianapolis, IN 46204

Director Jackson,

The Indiana Department of Revenue (DOR) is requesting funding to continue its investment in the implementation of a modernized, integrated tax system and corresponding agency operations, called Project NextDOR. DOR's overarching goal is to modernize the agency's business processes along with the technologies to assure the delivery of reliable and effective tax administration and collection services for many years into the future.

In 2015, the Indiana Legislature (House Enrolled Act 1472, Section 25) required and funded DOR to conduct a study and develop a plan to modernize its current operational environment including processes and technology. DOR collaborated with Deloitte Consulting to complete the requested study near mid-year 2016. As part of that study, Deloitte and DOR analyzed current and future states, and defined a large number of critical gaps. Those gaps exposed many flaws in the 40+ aging legacy solutions, integration and infrastructure which could only be efficiently resolved by replacing the current systems. Utilizing the current and future state information, DOR and Deloitte assessed integrated tax system implementation options and developed both an implementation approach and future state roadmap near the end of 2016.

The 2016 study resulted in a total project budget forecast of \$100 million. DOR is currently forecasting a total project cost of \$95 million which includes the contract consideration and internal cost to support the implementation of the system and business process modernization. The fiscal year (FY) 2018-2019 biennium budget appropriation totaled \$33 million, while the FY 2020-21 biennium budget appropriation totaled \$41.7 million for a grand total of \$74.7 million. Pursuant to a request for proposal (RFP), the contract was awarded to FAST Enterprises, the industry leader in integrated tax system implementations. FAST is a global tax software company that has successfully implemented similar technology in 26 states, far outpacing its closest competitor. The FAST contract consideration includes \$60.2 million for implementation services.

In addition to upgrading and modernizing DOR’s business processes and technologies, to ensure delivery of reliable and effective tax administration and collection services for many years into the future, the other broad objectives of Project NextDOR include: (a) implementing a reliable and user-friendly modernized system that closes internal control gaps, provides enhanced capabilities and improves the functionality of the legacy systems being replaced; (b) ensuring the protection and integrity of confidential information gathered in the administration and collection of taxes; (c) improving services to taxpayers and stakeholders, while maximizing revenues and improving the efficiency of internal operations in DOR’s tax administration and collection responsibilities and (d) meeting the State’s functional, technical and project-related requirements.

The project targets the rapid and complete implementation of an integrated tax system to automate all major state revenue tax functions including Compliance, Operations, Finance/Internal Audit, Information Technology and Customer Service. It includes the procurement of a broad range of products and services including the integrated tax system solution, hardware infrastructure, implementation services, internal staff augmentation, project-related implementation services (i.e. testing, training, data conversion, industry preparation), independent validation and verification services and organizational change management.

The project was scoped to be a multi-phased initiative spanning approximately five years (2017-2022) and implemented in four rollouts. The first rollout of the project was completed on Sept. 3, 2019. The second rollout is scheduled for completion on Sept. 8, 2020. Payments to the vendor (FAST) are tied to milestones and successful implementation of each rollout. **The high-level project plan and rollouts are presented in the exhibit below.**

Key Project Milestone	Start Date	Completion Date	Duration	Tax Types
Certification Phase	August 15, 2018	September 14, 2018	1 month	
Project Start	September 17, 2018			
Rollout 1	September 17, 2018	September 3, 2019	11.5 months	Aircraft Dealer Aircraft Excise Corporate Financial Institutions Nonprofit Partnership S Corporation Utility Receipts
Rollout 2	September 3, 2019	September 8, 2020	12.25 months	Consumer Use County Admissions County Innkeeper's Food & Beverage Heavy Equipment Rental Indianapolis Motor Speedway Motor Vehicle Rental Excise Out of State Use Sales Tire Fee Utility Services Use Tax Wireless Prepaid Cards Withholding
Rollout 3	September 8, 2020	September 7, 2021	12 months	Controlled Substance Fiduciary Firework Public Safety Fee* Gaming Excise (Charity Gaming) Individual Income Pari-Mutuel Admissions Pari-Mutuel Wagering Racino Fees Racino Wagering Riverboat Admissions Riverboat Wagering Sports Betting Supplemental Wagering Type 2 Gaming
Rollout 4	September 7, 2021	July 18, 2022	10.25 months	Alcohol Tax Alternative Fuel User Aviation Fuel Cigarette Diesel Inventory (Fuel Inventory) Employment Agency Gasoline Use Motor Carrier (RPS Billing Only)** Motor Fuel Other Tobacco Products Peer to Peer Ride Share Petroleum Severance Rail, Commuter or Electric Special Fuel Terminal Operator Transporter
Maintenance & Support	July 18, 2022	July 17, 2032	10 years	

CLOSING

DOR requests approval to continue the modernization of its revenue business processes and technology enhancements through the implementation of an integrated tax system. This project will replace the current Revenue Processing System (RPS) that was implemented back in 1996 and is comprised of 40+ disparate systems. The General Assembly has already allocated \$74.7 million to the project. In this biennium, DOR is requesting \$20.3 million in FY 2022 to complete the project. The project continues to be on-time and on-budget. This final year of funding will bring the total investment in Project NextDOR to \$95 million.

Thank you for your consideration of DOR's FY 2022-2023 Biennium Capital Budget Request. DOR has made tremendous progress in recent years, and with your support, the DOR team is confident to continue the wonderful path the agency is on and continue to make the Governor and all state colleagues proud.

Respectfully,



Robert J. Grennes, Jr.
Commissioner
Indiana Department of Revenue