

IMPACT STATEMENT

Legislation title: * Authorize a Request For Proposals for a new tax administration software system.
(Ordinance)

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Purpose of proposed legislation and background information:

The Revenue Division wishes to implement, over multiple phases, an integrated tax system solution that is customer-centric, satisfies requirements for tax administration of all current and future tax types, and integrates data from multiple data sources to provide one single complete view of a taxpayer account.

In our current state, we are missing opportunities for cross-compliance, increased revenues, and centralized customer service. We are also faced with a high probability risk of our current portfolio of legacy applications moving into unsupported status in the next three years. Given this horizon for expected end-of-life, Revenue has determined that our tax administration software needs to be replaced as soon as possible. Revenue anticipates that all our primary processes must be migrated to a new technology platform by December 2021, if not sooner.

Revenue's six legacy applications for taxes and fees have been developed in-house. Development and support are provided by a small local firm, which is extremely capable and has performed well to date, and yet is not positioned to grow with future technical demands for tax administration. Our current approach of relying on this firm presents challenges in scaling to future technical needs, as well as introduces a critical single point of failure for support.

Our six legacy applications are on the same network, with overlapping users, yet the data is not integrated. We lack a modern, seamless connection to an online taxpayer portal, and we do not offer the industry standard service of Modernized eFiling. Revenue Division agreements with the IRS compel us to comply with complex federal information security requirements. While our strict adherence to protocol resulted in a successful audit in 2017, our inability to integrate FTI data securely with legacy systems removes it from our daily business processes, and greatly limits leveraging FTI to increase taxpayer compliance.

This ordinance authorizes the Chief Procurement Officer to facilitate the use of a Request for Proposal (RFP) competitive solicitation process in accordance with City Code 5.33 to obtain the most responsive and responsible proposer to replace the current tax administration software. This legislation will result in a competitive solicitation and negotiated contract.

Financial and budgetary impacts:

This action alone will have no budgetary impact.

If the Council approves a contract following vendor selection and negotiations, the Revenue Division anticipates a total project budget in the range of \$20 - \$30 million. This estimate is

based on reviews of similar implementation in other jurisdictions and should be regarded as low confidence until the Revenue Division reviews RFP responses.

If Council approves the RFP, the Revenue Division will request funding in the FY 2019-2020 budget process. The Revenue Division is also exploring options for benefits-based funding, to partially or completely fund the project. Benefits-based funding is defined as a shared responsibility (between vendor and contracting government agency) for achieving quantified benefits as a pre-requisite for payment to the vendor. Payments may be both fixed, as well as incentive-based (with quantified benefits exceeding a given threshold).

Community impacts and community involvement:

City of Portland taxpayers, those filing for exemption, and tax preparers all stand to benefit with the implementation of a modernized, integrated system for tax administration. The new system will offer self-service account management portals, Modernized eFiling, and multiple channels for electronic communication and notifications. Benefits will be realized also with increased customer service capability from the Revenue Division call center and other support staff.

With 550,000 Arts Tax accounts, and 120,000 Business Tax accounts, the scope of impact for the new tax administration system is extremely broad. Every adult in Portland may be affected by the system.

Integrated Tax System software data analysis results will also yield increases in under-filer and non-filer discovery. The Revenue Division's subsequent actions to bringing these accounts into compliance would also then result in higher revenue collection.

The technology contracting community, including contractors certified with the State of Oregon as Disadvantaged, Minority, Women and Emerging Small Businesses will be involved when the public notice is posted on the City's Online Procurement System.

Potential proposers will be able to review the competitive solicitation, ask questions, provide comments and submit proposal responses to the competitive Request for Proposals (RFP). A member of the Minority Evaluator Program (MEP) will participate in the evaluation of the proposals.

Budgetary Impact Worksheet

Does this action change appropriations?

☐ YES: Please complete the information below.

☒ NO: Skip this section

Fund	Fund Center	Commitment Item	Functional Area		Funded Program	Grant	Sponsored Program	Amount
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