State of Vermont
Department of Taxes

RFI for an Integrated Tax Management Solution

August 10, 2012
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 Introduction</td>
<td>4</td>
</tr>
<tr>
<td>1.1 Purpose of the Request for Information (RFI)</td>
<td>4</td>
</tr>
<tr>
<td>1.2 Vermont Department of Taxes Organization</td>
<td>4</td>
</tr>
<tr>
<td>2.0 High Level Requirements</td>
<td>6</td>
</tr>
<tr>
<td>2.1 Current Systems Background</td>
<td>6</td>
</tr>
<tr>
<td>2.2 Vision for the Future</td>
<td>7</td>
</tr>
<tr>
<td>2.3 High Level Functionality</td>
<td>7</td>
</tr>
<tr>
<td>3.0 RFI Process and Response Format</td>
<td>9</td>
</tr>
<tr>
<td>4.0 Vendor Questions</td>
<td>10</td>
</tr>
<tr>
<td>4.1 Vendor Profile</td>
<td>10</td>
</tr>
<tr>
<td>4.2 General Questions</td>
<td>10</td>
</tr>
<tr>
<td>4.3 Implementation Approach and Plan</td>
<td>10</td>
</tr>
<tr>
<td>4.4 Pricing / High Level Time and Cost Estimates</td>
<td>10</td>
</tr>
<tr>
<td>4.5 Web Capabilities</td>
<td>11</td>
</tr>
<tr>
<td>4.6 Functional Components</td>
<td>11</td>
</tr>
<tr>
<td>4.6.1 Taxpayer Identification</td>
<td>11</td>
</tr>
<tr>
<td>4.6.2 Returns Processing</td>
<td>12</td>
</tr>
<tr>
<td>4.6.3 Taxpayer Accounting</td>
<td>12</td>
</tr>
<tr>
<td>4.6.4 Revenue Accounting</td>
<td>13</td>
</tr>
<tr>
<td>4.6.5 Case Management</td>
<td>14</td>
</tr>
<tr>
<td>4.7 Maintainability and System Upgrades</td>
<td>15</td>
</tr>
<tr>
<td>4.8 External Interfaces</td>
<td>15</td>
</tr>
<tr>
<td>4.9 Reporting</td>
<td>15</td>
</tr>
<tr>
<td>4.10 Common Services</td>
<td>16</td>
</tr>
<tr>
<td>4.10.1 Business Rules</td>
<td>16</td>
</tr>
<tr>
<td>4.10.2 Document Management</td>
<td>16</td>
</tr>
<tr>
<td>4.10.3 Workflow Management / Workload</td>
<td>16</td>
</tr>
<tr>
<td>4.10.4 Correspondence Management</td>
<td>16</td>
</tr>
<tr>
<td>4.10.5 Contact Management</td>
<td>17</td>
</tr>
<tr>
<td>4.10.6 Audit Capabilities</td>
<td>17</td>
</tr>
<tr>
<td>4.11 Additional Functional Features</td>
<td>17</td>
</tr>
<tr>
<td>4.12 Technology Questions</td>
<td>17</td>
</tr>
<tr>
<td>4.13 Additional Input</td>
<td>18</td>
</tr>
</tbody>
</table>
The purpose of this RFI is to solicit information on possible solutions to consolidate all of the State’s tax processing onto a COTS based integrated tax system. The possible solutions may use the existing Oracle ETM system, or completely replace the State’s existing tax systems. The solution may involve one fully integrated tax system, or a combination of modules that can integrate seamlessly. This RFI contains preliminary information to be used for discussion purposes with the vendor community.

<table>
<thead>
<tr>
<th>Name</th>
<th>Integrated Tax Management Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue Date</td>
<td>August 10, 2012</td>
</tr>
<tr>
<td>Closing Date and Time</td>
<td>4:00 pm EST, September 14, 2012</td>
</tr>
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<td>Issuing Office</td>
<td>Department of Taxes</td>
</tr>
<tr>
<td>Procurement Officer</td>
<td>Tom Buonomo</td>
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<tr>
<td>E-mail questions</td>
<td><a href="mailto:Tom.Buonomo@state.vt.us">Tom.Buonomo@state.vt.us</a></td>
</tr>
<tr>
<td>There is no deadline to submit questions</td>
<td></td>
</tr>
</tbody>
</table>
1.0 Introduction

The Vermont Department of Taxes (VDT) is soliciting information to evaluate the current set of tax solutions on the market as well as different implementation approaches to achieving an Integrated Tax System (ITS). The State has over twenty-five (25) different types of taxes they collect that are currently managed across three different technical environments. As new demands are placed on the Department, it is becoming more and more difficult to effectively process taxes from both a human resource and IT perspective.

This RFI contains processing characteristics and questions to serve as a platform to elicit information from the vendor community. The requirements in this RFI are in no way final nor represent what may be contained in a Request for Proposal (RFP). This issuance does not constitute a commitment to issue a bid, award a contract, or pay any costs incurred in preparation of a response to this request.

1.1 Purpose of the Request for Information (RFI)

The State is in the process of re-evaluating products to achieve their strategic goal of finding a cost effective solution that will consolidate all tax types and support tax functions into an integrated tax system.

The key goals for Vermont in issuing this RFI are to determine:

- The high level features and functions available in today’s commercial off the shelf (COTS) based integrated tax systems;
- A realistic cost estimate for achieving an integrated tax system;
- The State’s level of effort and duration for implementation;
- The long term commitment and level of investment in the product by the COTS vendors.
- An industry tested solution which offers internal business flows and processes which can be configured to make the Department more effective;
- How best to improve taxpayer’s experiences with the Department through web based interactive tools; and,
- Requirements for ongoing staffing levels and skill sets for the State as well as the vendor to support the product.

Respondents to this RFI are welcome to leverage the current Oracle ETM platform or propose a completely new product solution.

1.2 Vermont Department of Taxes Organization

The Vermont Department of Taxes is charged with administering and collecting Vermont taxes. It has approximately 200 employees and is organized into the following divisions:

- Administration: Responsible for administrative activities to support the operations of the Department.
Taxpayer Services: Primary responsibilities include providing information and assistance to taxpayers, resolving tax problems, distributing educational materials, reviewing tax return and refund information and encouraging voluntary compliance with Vermont tax law.

Property Valuation and Review: Primary responsibilities include overseeing the assessment of all lands and property state wide for ad valorem taxation. This includes but is not limited to the administration of property transaction taxes, annual statewide equalization study, Use Value Appraisal program, oversight of all property exemptions, collections of town grand lists, state property appeals, liaison to town officials, liens etc

Compliance: Primary responsibilities include case initiation and management, audit history, collections, appeals, liens and garnishment, returns adjustments, computation of tax liabilities, payments/credit management, account billing, offset management, generation of assessments, abatements, penalty and interest, and tax release installment plans and assessments.

Returns and Revenue Processing: Primarily responsibilities include receipt, extraction and routing of all mail, data capture of all documents via scanning, returns posting, returns validation and error correction.

Information Systems: Responsible for supporting, enhancing and operating the three existing tax systems and their interfaces

Policy, Outreach and Legislative Affairs: Responsible for supporting operational divisions in the development of correct and consistent answers to policy questions, timely education and training of internal and external customers, and represents the department in its work with the legislature and other government agencies.

Accounting: Responsible for tracking revenue accounting, daily bank deposits and related cash management functions including electronic funds transfers and credit card payments, bank account and general ledger maintenance, reconciliations, and preparing year end reports.
2.0 High Level Requirements

2.1 Current Systems Background

The VDT currently operates three systems for tax administration and collections processing.

They are:
- Mainframe system for miscellaneous taxes (about 20 tax types)
- Advantage Revenue for Individual Income, Sales/Use and Meals/Rooms taxes, school property, and payroll withholding
- Oracle ETM for Corporate Income, Business Income (including pass through entities), Fuel Gross Receipts, Property Transfer, and Collections.

**Mainframe:** The Mainframe based tax systems have evolved over 30 years and supports over 20 miscellaneous taxes and the Accounts Receivable System used to bill and track receivables for all department tax types except those implemented in Advantage Revenue and Oracle ETM. The software application runs on an IBM mainframe and is built using CICS, VSAM, and COBOL.

**Advantage Revenue:** The Advantage Revenue System began with the procurement of a base set of code in the 1990s. The IT department has tailored the application to meet the needs of the business users and new legislative statutes. The application uses PowerBuilder as the development platform for the client and application server with an Oracle back-end database. IT has upgraded PowerBuilder and the Oracle DBMS several times over the life of the system. Sources of input to the Advantage Revenue System include:

- Image data capture using IBM’s Integrated Forms Processing system
- Data entry
- Credit Card and ACH (credit and debit) payments from the Web
- Electronically filed returns and payments from the Fed/State e-file program and the streamlined sales tax project
- Homestead Declaration documents entered via the Web
- Business Trust taxes entered via the Web
- Offsets sent from the Federal Treasury

**Enterprise Taxation Management:** The Enterprise Taxation Management System (ETM) provided by Oracle went live in August 2010 for four different tax types. The ETM application supports Corporate/Business Income, Property Transfer, and Fuel Gross Receipts taxes. It also supports the Compliance department with a Case Management system for audits and delinquent collections. The application runs on IBM/AIX servers and is built using a combination of Micro Focus COBOL and Java.

Note: As mentioned above, paper based tax return forms are scanned and validated using IBM’s Integrated Forms Processing System. This technology will remain in place and is not included as part of this RFI. Vendor responses will need to discuss integrating with this technology in their external interfaces section.
Any solution presented in response to this RFI needs to support the following processing characteristics:

- Support for 200 concurrent application users
- Support for 1000 concurrent external users through a web interface
- Provide near real time response for all users

In addition, Oracle is the preferred database engine.

2.2 Vision for the Future

The VDT vision is to have an Integrated Tax System that:

- Merges all major tax types into a single solution or an integrated set of modules as soon as possible;
- Provides a robust web interface for the taxpayers to file returns, make payments and obtain information about their accounts;
- Uses a well tested product that has a long term future and can be easily expanded to include future tax types;
- Leverages the product’s existing functionality by re-engineering manual workflows and operations; and,
- Migrates to an X86 based technical environment using mid-tier servers in a virtual environment.

2.3 High Level Functionality

The major tax types that will need to be implemented in the integrated tax system are:

- Corporate Income Tax;
- Business Income Tax (Pass-through entities);
- Non-resident Withholding (Business Income Tax and Individual Income Tax);
- Real Estate Withholding;
- Fuel Gross Receipts Tax;
- Property Transfer Tax;
- Business Trust Taxes including:
  - Sales/Use Tax;
  - Meals and Rooms Tax
  - Payroll Withholding
- Individual Income Tax including
  - Renter Rebate Claims
  - Property Tax Adjustment Claims;
- Miscellaneous Taxes – 20 or so tax types ranging from simple to complex.

The high level functions VDT expects to be included in an integrated tax system are:

- Individual taxpayer creation/maintenance
- Registration (both Corporation and Business)
- Account creation/maintenance
Mailing address management
- Taxpayer relationship management
- Agent management
- Returns posting/management
- Taxpayer liability computations
- Error/exceptions management
- Adjustments
- Transaction History
- Payment/credit management
- Billing/refund management
- Offset management
- Assessment management (including estimated assessments)
- Abatement management
- Tax release management
- Penalty/interest management
- General Ledger
- Accounts receivables
- Revenue distribution
- Cash management
- Compliance case management
- Appeals management
- Bankruptcy/Lien/Garnishment management
- Installment plan management
- Collections management
- Tax Lien management

Additional capabilities that should cross all of the functions listed above are:

- Work list management
- Workflow management
- Correspondence management (including notices and e-mail)
- Document management
- Records archiving
- Full transaction audit ability
- Call management
- Notes management
- Business rules engine
- System error diagnosis and error message management
- Reporting
3.0 RFI Process and Response Format

This RFI is being issued by the Vermont Department of Taxes to seek vendor input on potential solutions for an Integrated Tax Management System for the State of Vermont. The solutions provided by vendors are for informational purposes only, for the purpose of determining potential solutions and recommendations to be possibly included in a future RFP. Responses may be provided by Tax COTS Software Vendors and/or System Integrators. This Request for Information does not indicate that the State is engaged in a pre-selection process for an Implementation Vendor or COTS software package.

All questions and responses shall be submitted in writing to:

Name: Tom Buonomo
E-mail: tom.buonomo@state.vt.us

Vendors shall communicate only with Mr. Buonomo on all correspondence related to this RFI. There is no deadline to submit questions to the Department.

RFI responses shall be submitted to the Mr. Buonomo via e-mail no later than 4:00 pm Eastern Standard Time on Friday, September 14, 2012. Responses are to be submitted in Ms Word 2007 and/or Adobe PDF format. The subject line in the transmission shall state: “Vermont Integrated Tax Management Solution RFI Response”. In Section 4.0, answer all appropriate questions.

The following sections shall be included with vendor’s responses:

1. Transmittal Letter named “Vermont Integrated Tax Solution Transmittal Letter Vendor Name”
2. Vendor Response named “Vermont Integrated Tax Solution Response Vendor Name” including vendor profile and responses to questions in Section 4.0.
3. Product Brochures named “Vermont Integrated Tax Solution Brochures Vendor Name” including additional descriptive materials such as brochures and white papers.

Any confidential materials should be marked “Confidential” and provided separately.
4.0 Vendor Questions

4.1 Vendor Profile

1. Please provide necessary contact information including:
   - Company Name
   - Contact Person
   - Address, Telephone, E-mail Address

2. Please provide a brief company background.

3. Provide a list and brief description of up to three projects of similar size and scope for tax systems successfully implemented for other States/agencies. Similarities with Vermont shall be highlighted. Provide reference and contact information for each of the similar projects.

4.2 General Questions

1. Describe the solution that you are proposing including the use of COTS, configurable components and customizations, if required.

2. Describe the history of the product and plans for future enhancements. When and how often are you expecting a new major release for the COTS product? What new features or enhancements are you expecting to include?

3. Describe the types of configuration and customization that can be performed and the skill level required for each?

4. What is the user interface environment? Is it browser or Windows-based?

**Note:** Answers to questions that are already provided in your reference materials should indicate the page and section in the reference materials rather than duplicating the answers.

4.3 Implementation Approach and Plan

1. Should the implementation be phased? If so, should the phases be by tax type or component or some other way?

2. Is the product a module that can be integrated with other products to create a fully functional tax system? If so, please describe in detail how a configuration would be designed.

4.4 Pricing / High Level Time and Cost Estimates

1. Describe the pricing model for software licenses, configuration, customization, implementation, etc.

2. Describe the recommended model for training staff on the solution.
3. What is your current time estimate for implementation of the integrated tax system for Vermont based on your past experience? You may cite similar examples and provide estimates by module.

4. What is your ballpark cost estimate for implementation of the integrated tax system for Vermont based on your past experience and the tax types and functionality describe in Section 2.3 High Level Functionality? You may cite similar examples and provide estimates by module.

4.5 Web Capabilities
1. Describe the product’s ability to provide on-line capabilities including the following:
   - Electronic Returns Filing – expandable to all tax types
   - Payments – Allow taxpayers to make payments of any nature or to set up payment plans
   - Demographic Updates – Allow taxpayers to change demographic information
   - Registrations - Allow taxpayers a web entry point to register for all taxes and receive applicable tax numbers electronically
   - Taxpayer Single Sign-on – Provide single sign-on for taxpayer to all on-line services, and provide sign-on and password management capability
   - Licensing and registration information

4.6 Functional Components
Provide a description of the major functional components of your system that satisfies the requirements of the State of Vermont. Please include the level of configuration required for each feature (i.e., DB entry, scripting, custom coding, etc.) Include the functions and address the particular questions listed below.

4.6.1 Taxpayer Identification
1. Describe how the system tracks entities and individuals.

2. Describe the different relationships taxpayers can have with other taxpayers.

3. Describe handling of multiple taxpayer ID types.

4. Describe the management of addresses, (i.e. duplicative, inconsistent, historical, and searching).

5. Describe how the system maintains historical information about a taxpayer.

6. Describe all the methods taxpayers can be related with tax accounts?

7. Describe account creation/maintenance.
4.6.2 Returns Processing
1. Describe support for the following major functions:
   - Returns posting
   - Computation of tax liability
   - Controlling actions on returns
   - Error/exception creation and management
   - Workload assignments/management
   - Candidate lists of returns (based upon selection criteria)
   - Returns adjustments
   - Cross tax management

2. Describe the solution’s forms definition capabilities that allows for setup and maintenance of tax returns.

3. Describe the solution’s ability to define and maintain business rules for multiple years for the same form.

4. Describe the ability to fully capture, store, validate and display a return or related form captured by the following means: electronically transmitted return, Fed/State modernized e-file program, FTP, XML, online entry with real time processing, and online entry for later batch processing.

5. Describe the product’s ability to automatically identify return errors based on form-based business rules and route return into an exception queue grouped by tax type, exception type and form type.

6. Describe how the system provides statistics on items in suspense and on exception based work lists and indicate the number of items that are suspended or work listed by error type?

7. Can the system provide online real-time recalculation of account, after online adjustments?

4.6.3 Taxpayer Accounting
1. Describe each of the following areas:
   - Taxpayer account management
   - Taxpayer financial transaction history
   - Payment/credit management
   - Billings/Refund management
   - Offset management
   - Notice management
   - Assessment management
   - Abatement management
   - Tax release management
   - Penalty/Interest management
2. Describe how the product addresses each of the following:
   - Adjustment notices that should go out with bills
   - Manual overrides for automatic processes
   - Different taxpayer profiles for tax types
   - Drill down capability in increments – more levels than just summary and detail
   - List of all payments made by taxpayer

3. Can the system maintain taxpayer balances for tax types that do not have filing periods?

4. Can the system provide for the future dating of payments (e.g. WEB payments and ACH/I-file payments)? Note: The taxpayer does not receive credit for the payment until the specified date has arrived.

5. Can the system generate correspondence showing the accounts and periods for which the taxpayer is registered and the outstanding balances due on each account.

6. Can the system maintain a detail audit trail for taxpayer accounting that includes all elements that were entered and participated in the system provided calculation of tax liability?

7. Does the system have the ability to handle multiple original returns in the same time frame (i.e. tax period)?

### 4.6.4 Revenue Accounting

1. Describe the following major functions:
   - Revenue account management
   - Revenue distributions
   - Trend analysis
   - General ledger
   - External available reports
   - Document management
   - Cash management
   - Workflow management
   - Payment processing – possibly internal/external interface –OR- check processing (abandoned property)
   - Accounts receivable
   - Records archiving

2. Does the system provide the ability to maintain summary revenue accounts automatically as a result of liability and payment postings?
3. Does the system provide the ability to make adjustments at the revenue accounting level rather than at the taxpayer accounting level?

4. Does the system provide the ability to calculate distributions for each applicable tax to municipalities and localities based on Vermont specific business rules?

### 4.6.5 Case Management

1. Describe the major functions and features related to Case Management including:
   - Case initiation
   - Case maintenance
   - Case history audit
   - Collections/Refunds Management
   - Correspondence management
   - Work Flow/Workload management
   - Appeals management
   - Bankruptcy management
   - Lien/Garnishment management
   - Installment plan management
   - Delinquency processing
   - Assessment creation/maintenance
   - Offset management
   - Abatement management
   - Tax release management
   - Penalty/Interest management

2. Is there support for multiple types of cases and creation of new case types? How are cases categorized?

3. Can the changing of case types be accommodated as they are transferred from one area to another- e.g. from non filers to collections?

4. How are activities and statuses of cases tracked?

5. Can you attach documents/files/images to a case?

6. Can time spent on cases be tracked?

7. Can you override automatic processes?

8. Does the system provide the ability to log, track, and work appeals for taxes processed by the system?

9. How are audit work papers handled? (i.e. pulling in return and profile data automatically and making adjustments).

10. Does the system have the ability to interoperate with Taxpayer Accounting and other system components to split tax account periods, stop interest, penalty, refunds, offsets, billing and other actions necessary to be compliant with bankruptcy law and department policy?
11. Does the system provide the ability for the setup and billing of installment payment agreements that consolidate outstanding taxpayer debt?

12. Does the system provide the ability to reclassify debt as uncollectible?

### 4.7 Maintainability and System Upgrades

1. Describe your approach to maintenance. What is the level of external/internal staffing required to support the product?

2. Will a trained administrator be able to create and revise tax forms and templates easily?

3. How often are major releases issued? What is the typical effort to install a major release?

### 4.8 External Interfaces

Vermont is interested in a solution that would interface with various external systems.

1. Describe the approach to interfacing with external technical components, such as an Interactive Voice Response (IVR) system (for example, for tax processing), remittance processor, imaging system, etc.

2. Specifically address how the system interfaces with:
   - Electronic Funds Transfer (EFT)
   - IRS for E-filing
   - Banks – ACH, direct debit
   - External agencies (State financial accounting system – VISION)
   - Imaging (IBM’s Integrated Forms Processing)
   - Vermont specific interfaces to various systems
   - Social security information
   - Scanning – checks/returns
   - Outside collection agencies
   - Treasury offset
   - Check processor
   - VIC/credit cards
   - Various offset programs
   - State to state offset transfers
   - Phone system (State uses Interactive Client for ACD system)

### 4.9 Reporting

1. Describe the reporting capabilities of the solution including level of expertise required and external tools needed in order to create reports.
2. Describe how the following report types will be addressed:
   - Work list reports
   - Decision reports
     - Management
     - Financial
   - Standard reports
   - Ad-hoc reports
   - Triggers and alerts

2. What are the limitations, if any, of the quantity of reports and letters created as part of implementation?

4.10 Common Services
The following are a list of technology components that may be part of the integrated tax management solution. Additional technology components that would comprise the recommended solution may also be described.

4.10.1 Business Rules
Vermont is potentially interested in using business rules to provide ease of maintenance and flexibility for business rule changes and to reduce programming time. For example, it can be used to automatically generate collection cases when a return is found to be deficient or fraudulent.

1. If a business rules engine is part of the product, describe how it would be maintained, and what skills would be required of staff to configure and customize?

4.10.2 Document Management

1. Describe the approach to document management and what features are within the solution.

4.10.3 Workflow Management / Workload
Vermont is potentially interested in automatically directing assignments to staff based on criteria set by management.

1. Please describe the approach to workflow management capabilities.

4.10.4 Correspondence Management

1. Please describe the Correspondence Management capabilities and any necessary external interfaces.
4.10.5 Contact Management
1. Please describe the solution's Contact Management capabilities and any necessary external interfaces.

4.10.6 Audit Capabilities
The system needs to track transactions that are performed- e.g. who performed the transaction, what was done and when it was performed.
1. Please describe the solution's audit capabilities.
2. How does the system use triggers and alerts?

4.11 Additional Functional Features
1. Describe the Notes capability.
2. Describe how the system is integrated with email.
3. Does system handle amended returns? How?
4. Describe how the system handles noticing. How are they tracked? Printed? Resent?
5. Describe any additional modules that might be relevant for Vermont.

4.12 Technology Questions
1. Describe recent technological advances made in the industry which you now incorporate into your solution?
2. Describe the recommended technical architecture of the solution, including recommended hardware platform, operating systems, communications, database platform, application servers, web servers, development platforms, etc.
3. Describe any restrictions or limitations for the above recommended architecture components
4. How would you describe the database structure of the transactional database? Reporting database?
5. Describe the technologies used to build your solution?
6. What skills are required to maintain and support the system?
7. Describe the recommended scalability of the hardware platform.
8. Describe the approach to Service-Oriented Architecture (SOA)?
9. Describe the web components of your system approach, such as web services, XML usage, etc.

10. Describe how real-time and batch processing and printing are leveraged for your approach.

11. Describe the security levels, role based security, and audit features of your solution including how the solution adheres to IRS Pub. 1075 requirements.

12. Describe any additional technology components that are planned on being incorporated in the future and when is implementation planned?

4.13 Additional Input

Please provide any additional input to be considered by the State and any ideas relevant to a possible RFP for implementing an integrated tax solution for the State of Vermont.