



**Alabama Data Warehouse
&
AL Business Modernized
E-File Program**

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Alabama Data Warehouse

- Alabama is a Gen Tax State
- RITS – Revenue Integrated Tax System
- Currently running Version 7
- Upgrading to Version 8 January 2011
- Working more current years

Alabama Data Warehouse

- Concentrate on the use of Federal Tax information in the Data Warehouse
- Allowed us to work non filer for 2005 and 2006 in 2009
- Special Audit and Compliance Section

Alabama Data Warehouse

- CP 2000 – Filer
- CP 2000 – Non Filer
- EOAD
- IMF/IRTF
- IRMF
- Use 2005 & 2006 Data for Illustration
- 6 – 7 CP2000 Extract Distributions per year

Alabama Data Warehouse

CP2000-Filer

- CP 2000 - Filer
 - Filed a state and Federal Return
 - Income received and not reported
 - Developed 21,370 Leads

Alabama Data Warehouse CP2000-Filer

■ Filtered

- Criminal Investigation 0
- Never Adjust 1248
- Non Resident 41
- Federal Tax Indicator 157
- Alabama Adjustment less than \$2000
1017

Alabama Data Warehouse

CP2000-Filer

- Categorize the Leads
 - CP 2000 Auto 3,381
 - Simple
 - Income adjustments other than wages or pensions
 - No Schedule A returns (this will change once we are no longer working with converted returns)
 - Adjustments and letters are created in RITS and billings are generated automatically.

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CP2000-Filer

- Categorize the Leads Cont'd
 - CP 2000 Manual 15,416
 - More complicated
 - Review by an examiner
 - Manually adjusts the return and bills the taxpayer or closes the lead
 - Field Audit 34
 - Indicator that a Field audit is in progress or has been completed. File sent to Auditor

Alabama Data Warehouse CP2000-Filer

- Categorize the Leads Cont'd
 - SAC Audited 38
 - Indicator that an audit has already been done by SAC using federal tax information

Alabama Data Warehouse

CP2000-Non Filer

- CP2000 – Non Filer
 - Taxpayer has filed a federal return and omitted income but no state return
 - Manual Process at this time
 - Same filters as CP2000 Filer
 - CP2000 No RITS Taxpayer not registered in RITS
 - CP2000 In RITS Taxpayer registered in RITS

Alabama Data Warehouse CP2000-Filer/Non Filer

- Results

- Filer and Non Filer

- Cases Reviewed

- Pre RITS

- 2008 13,346 \$ 5,248,921

- Post RITS

- 2009 13,127 \$ 6,858,867

- 2010 4,530 \$ 3,768,570 To Date

Alabama Data Warehouse EOAD

- Face to Face IRS Audits
- Categorized
 - EOAD No RITS 17,805
 - EOAD In RITS 3,629
- Filter out
 - AGI Per Exam Greater than \$12,000
 - Earned Income Adjustments
 - IRA Tax
 - Alabama Non Taxable Income

Alabama Data Warehouse EOAD

- Leads created for possible Pass Through Entity or Field Audit
 - EOAD NO RITS 1065
 - EOAD IN RITS 1065
 - EOAD NO RITS 1120
 - EOAD IN RITS 1120
- Manually adjust the Alabama return or prepare blanket returns for those who have not filed an Alabama return

Alabama Data Warehouse EOAD

■ Results

– Cases Reviewed

■ Pre RITS

– 2008	826	\$	46,663
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■ Post RITS

– 2009	5,258	\$	955,677
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– 2010	6,794	\$1,632,233 To Date
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Alabama Data Warehouse

Non Filer Plans

- IMF/IRTF
- Taxpayer filed a federal return but no Alabama Return
- Automated and Manual Adjustments
 - Manual we check the IRMF to make sure all income is on the federal return
- 2005 Pool of 195,417 taxpayers

Alabama Data Warehouse Non Filer Plans

■ Filters

- Alabama Withholding > 3% 22,278
 - Alabama W-2s in warehouse
 - Estimated Tax Due < \$100 40,045
 - Wages > 80% of AGI 80,705
 - Criminal Investigation 0
 - Federal Tax Indicator 84
 - Pension Income > 80% of AGI 33,206
- Left with 19,009 Audits

Alabama Data Warehouse

Non Filer Plans

- Auto Audits 7,613
 - Simple
 - Wages
 - Schedule C Income
 - Schedule B Income
 - Standard Deduction
 - RITS
 - Creates an Estimated Return
 - Posts the information to the System
 - Creates letter and billing

Alabama Data Warehouse

Non Filer Plans

- Manual Audits 11,396
 - More Complex Returns
 - Contains information on Schedules A, D, E, & F
 - Examiner
 - Creates Returns
 - Posts to System
 - Initiates Information letter and Assessment

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Non Filer Plans

- IRMF

- Taxpayers have not filed a Federal or a State Return
- Information on IRMF Tape is totaled
- Process is totally automated
- Estimated return prepared
 - Single Filing Status
 - Standard deduction

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Non Filer Plans

- IRMF contd.

- 398,257 taxpayers for 2005

- Filters

■ Federal Tax Indicator	395
■ Income was less than \$20,000	325,017
■ ID number was a FEIN not SSN	32,107
■ Tax Due < \$500	7,211
■ Wages \geq 25% of total income	27,599

Alabama Data Warehouse Non Filer Plans

- IRMF contd.
 - 6,238 Audits Left
 - The filtered leads can be brought back and worked
 - Leads broken down by zip code so they could be sent to the Field if needed.

Alabama Data Warehouse Non Filer Plans

■ Results

– Filer and Non Filer

■ Cases Reviewed

■ Pre RITS

– 2008 9,911 \$ 5,653,131

■ Post RITS

– 2009 23,948 \$ 7,336,052

– 2010 15,194 \$ 8,178,101 To Date

K-1 NO HIT

- Alabama K-1 information and Federal K-1 information used to search to see if the individual has filed an Alabama return.
- Returns are requested
- No response estimated returns are prepared.

K-1 NO HIT

- Tax Year 2008 1351 Leads
- Returns filed/bills 794
- Tax Paid \$779,032.34

Future Discoveries

- Matching Schedule C income to Sales tax receipts
- Purchase Contracts with State
 - Are they registered
 - Proper licensee and numbers
 - Affiliates
- Customs
- W-2 Matching

AL Business Modernized E-File Program

The Alabama Department of Revenue began participating in the development of the Fed/State 1120/1065 e-file project for the electronic filing of corporate and partnership income returns in 2004. This project is a joint effort between the IRS, numerous states, software vendors and other private businesses who have joined together under the umbrella of the Federation of Tax Administrators (FTA). The state began accepting returns through the MeF Program in 2008 for tax year 2007.

The Business Modernized E-File program was implemented to provide a cost effective way to process business returns for the State of Alabama.

Tax Year 2007

- Beginning tax year 2007 the state began accepting returns for forms 20C Corporation Income Tax Returns and 20S S-Corporation Information/Tax Returns.
- Late in the 2007 filing season the Form 65 Partnership/Limited Liability Company Return of Income was added.

Tax Year 2007 MeF Returns

For tax year 2007 we had **one** supporting vendor and we processed **257** returns.

Processed Returns by Form Type:

Form 20C – 141

Form 20S – 115

Form 65 – 1

Tax Year 2008

- The state of Alabama continued accepting returns for forms 20C Corporation Income Tax Return, 20S S-Corporation Information/Tax Returns and for 65 Partnership/Limited Liability Company Return of Income
- The Form PTE-C Nonresident Composite Payment Return was added.

Tax Year 2008 MeF Returns

For tax year 2008 we had **four** supporting vendors who processed **15,676** returns.

Processed Returns by Form Type:

Form 20C – 1875

Form 20S – 7179

Form 65 – 6449

Form PTEC - 173

Tax Year 2009

- Form 200-C Consolidated Corporate Income Tax Return was added to complete our Business Modernized E-File Program.
- ADOR implemented a Corporate/Partnership E-File Mandate effective March 4, 2010.

Tax Year 2009 MeF Returns

For tax year 2009 we had **twelve** supporting vendors who processed **25,933** returns through 6/30/2010.

Processed Returns by Form Type:

Form 20C – 1977

Form 20C-C – no returns processed as of 6/30/2010
(the due date for this form is 9/15/2010)

Form 20S – 11,290

Form 65 – 12,278

Form PTEC - 388

Cost Savings

- Processing savings for e-filed returns versus paper returns
 - 2007 \$ 918.48
 - 2008 \$ 68,681.21
 - 2009 \$115,947.62

Corporate/Partnership E-File Mandate

Effective March 4, 2010

**Regulation 810-3-28-.07 Alabama
Requirements for Mandatory E-File
of Original Partnership/Limited
Liability Company Income Tax
Returns.**

Corporate/Partnership E-File Mandate

Applies to income tax return preparers

Year	Returns
2009	125
2010	50
2011	25

Corporate/Partnership E-File Mandate

Definition:

(a) "Income tax preparer" means a person who meets both the following:

1. Any person who prepares an Alabama corporate/partnership income tax return in exchange for compensation.
2. Or any person who employs another person to prepare, in exchange for compensation, any current year Alabama corporate/partnership income tax return.

Questions

