

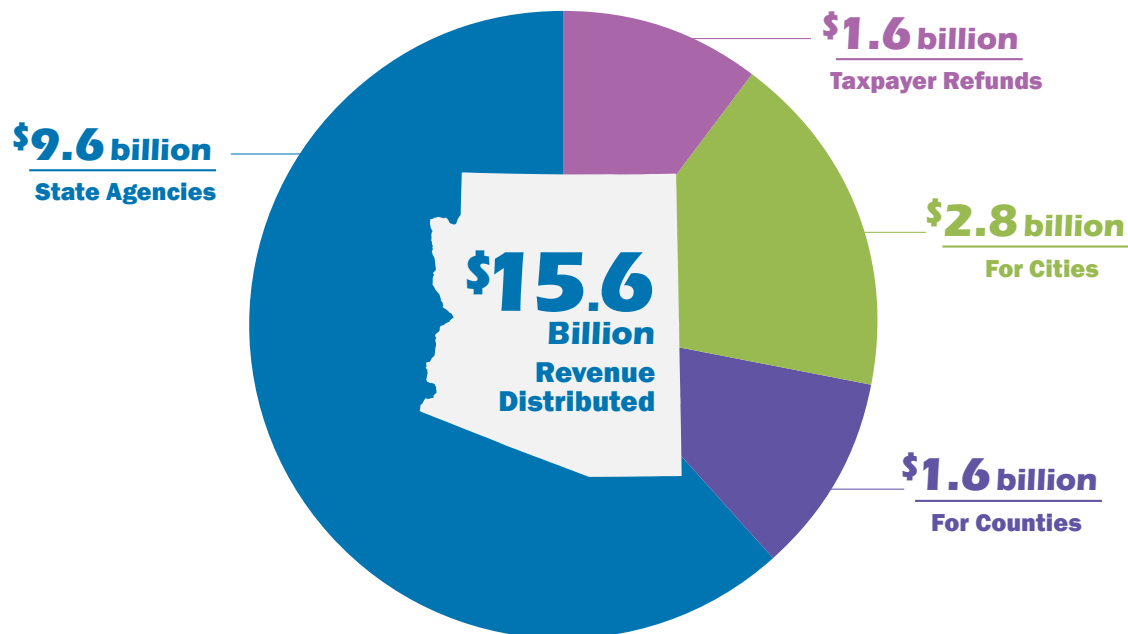
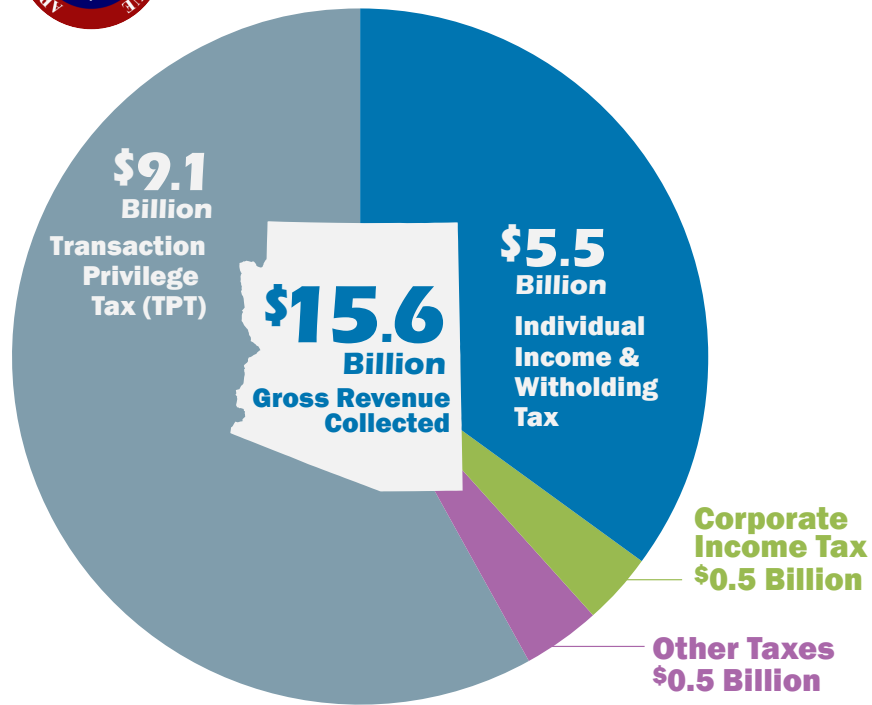


**Strategic Plan Update
FY 2018**

September 2017



FY 2017 At A Glance



Processing

Number of individual and transaction privilege tax (TPT) paper returns	1,508,582
Average days to process individual income tax refunds from electronic returns	11.98 days
Average days to process TPT electronic returns	0.42 day
Total tax documents processed	6 million

Education and Compliance

Actual vs estimated state tax collection	101%
Dollars recovered from individual income tax fraud prevention	\$25.9M
Number of outreach events conducted	79

Taxpayer Services

Average number of phone calls received monthly	34,600
Average customer phone call wait time (FY 2017)	16 mins.
Average customer phone call wait time (FY 2017 May - June)	30 secs.
Percentage of online transactions	60%
New users registered in AZTaxes.gov	113,973
Number of logins to AZTaxes.gov	537,394
Unclaimed property dollars returned to customers	\$57M

FOREWORD :



I am pleased to provide this annual update on the Arizona Department of Revenue's 2018-2022 Strategic Plan, which demonstrates the ongoing transformation of this Agency, its commitment to **"Serving Taxpayers!"**, and its vision of funding Arizona's future through excellence in innovation, customer service and continuous improvement.

Following Governor Ducey's call to deliver at the speed of business, the Strategic Plan outlines the agency's drive to achieve its mission, and strategic steps being taken to address key pressure points and continue to make the Department of Revenue increasingly user friendly. This includes the fact 535 ADOR employees processed 6 million tax documents and collected more than \$15.6 billion in fiscal year 2017 for key Arizona programs and services.

The Arizona Department of Revenue has taken decisive and deliberate actions to respond to the ever changing needs of Arizona taxpayers and to deliver more efficient and effective services. In the following pages, we highlight the goals, strategies and performance measures identified as critical to the Department's continuing success in fulfilling our vital mission of serving Arizonans.

- ✓ ADOR is moving forward with e-solutions that better serve taxpayers, including automated processing of millions of tax returns/payments, expanding electronic filing and payment for all tax types to increase efficiency.
- ✓ The Department is challenging itself to accelerate processing returns for all major tax types faster than ever.
- ✓ The Department has delivered on its commitment to fully implement the state's transaction privilege tax (TPT) system with the onboarding of the 14 remaining Arizona cities on January 1, 2017, bringing the total to 91 municipalities. Under TPT, business taxpayers are able to register, file one return for all taxing jurisdictions and make TPT payments via AZTaxes.gov, no longer having to file two or more TPT returns.



- ✓ ADOR has placed a renewed emphasis on education and outreach through expanded partnerships with stakeholders, such as county and municipal governments, tax professionals and various taxpayer-represented associations.
- ✓ Our focus remains on deploying results-driven management, called the Arizona Management System (AMS), which is all about delivering better, faster and more cost effective service for Arizonans. This ambitious program, which eliminates waste and inefficiencies throughout the system, remains a priority across the Agency.
- ✓ Preserving the tax system infrastructure's desired performance, we have moved forward with a full modernization of our Department's information technology infrastructure. The need to modernize and develop technical and operational excellence in our workforce is critical in enhancing our tax systems and the security of confidential taxpayer information.

The goals and rigorously evaluated performance measures are essential to the Department's success in fulfilling our customer service mission. This means eliminating waste and inefficiencies to deliver customer value and tangible mission outcomes that taxpayers expect of their state workforce.

We recognize we have only just begun our journey in ADOR's transformation and the Department is continuing to evolve in identifying new ways to deliver better, faster and more cost-effective service for Arizonans.

David Briant
Director



Goal	Performance Measures	Objectives
<p>Optimize taxpayer services</p>	<p>Reduce all taxpayer call center wait times BREAKTHROUGH</p> <hr/> <p>TARGET: 1 minute</p>	<p>▶ Reduce call center wait times:</p> <ul style="list-style-type: none"> • Provide more efficient and effective customer service
<p>Accelerate processing</p>	<p>NEW Reduce processing time for all major tax types BREAKTHROUGH</p> <hr/> <p>TARGET: 20% reduction</p>	<p>▶ Reduce tax return and payment processing times:</p> <ul style="list-style-type: none"> • Automate business tax returns and payments • One-stop collection of city and state vehicle use taxes in partnership with Arizona Department of Transportation (ADOT) • Work with property management companies (PMCs) to file tax returns electronically for multiple properties
<p>Maximize taxpayer education and compliance</p>	<p>Actual vs. Estimated state tax collections SUSTAINMENT</p> <hr/> <p>TARGET: 101%</p>	<p>▶ Help taxpayers comply with the tax laws of Arizona:</p> <ul style="list-style-type: none"> • Accelerate revenue distribution to cities and counties • Assist over 90,000 corporations in Arizona to file electronically for the first time • Automate how taxpayers receive important tax filing information
<p>Support and champion the agency mission (internal only)</p>	<p>NEW Complete \$11M IT infrastructure project by June 30, 2018 BREAKTHROUGH</p> <hr/> <p>TARGET: 100% complete</p>	<p>▶ Modernize and strengthen core programs and infrastructure:</p> <ul style="list-style-type: none"> • \$11M investment to ensure reliable operation of critical tax systems and enhance information security • Reduce government footprint in private leased space to generate savings and efficiency

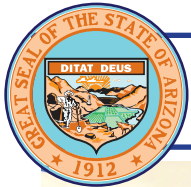
Goal	Statewide Measures	Target	Objectives	FY 2018
Optimize taxpayer services	Percentage of online services	80%	<ul style="list-style-type: none"> ▶ Increase the number of online service options available for the taxpayer <ul style="list-style-type: none"> • Provide more efficient and effective customer service 	
	NEW Number of implemented improvement ideas from customers	BASELINE	<ul style="list-style-type: none"> ▶ Increase the number of implemented ideas from customer feedback <ul style="list-style-type: none"> • Develop a process to capture feedback from stakeholders and implement ideas that will help improve operations and customer service 	
	Number of administrative rules improved or repealed	24	<ul style="list-style-type: none"> ▶ Optimize agency rules to increase revenue and improve taxpayer services <ul style="list-style-type: none"> • Develop and implement a method to periodically review, update, and if appropriate, eliminate agency administrative rules 	
Support and champion the agency mission (internal only)	Number of agency FTE count	535	<ul style="list-style-type: none"> ▶ Manage the number of full-time employees in the agency <ul style="list-style-type: none"> • Manage the reduction of FTE counts across state government 	
	Number of regrettable attrition	22	<ul style="list-style-type: none"> ▶ Reduce the number of regrettable attrition in the agency <ul style="list-style-type: none"> • Manage the retention of the agency's best and brightest employees 	
	Percentage of adoption of Arizona Management System (AMS)	100%	<ul style="list-style-type: none"> ▶ Deploy a professional, results-driven management system <ul style="list-style-type: none"> • Increase capacity to fulfill the adoption of AMS 	
	Number of breakthroughs achieved	15	<ul style="list-style-type: none"> ▶ Identify breakthrough performance measures <ul style="list-style-type: none"> • Optimize the identification of breakthrough results that deliver radical improvement in service, productivity, quality and cost effectiveness 	
	NEW Number of implemented improvement ideas from employees	BASELINE	<ul style="list-style-type: none"> ▶ Increase the number of implemented ideas from employees <ul style="list-style-type: none"> • Develop a process to capture feedback from employees and implement ideas that will help improve operations and customer service 	

OUR ORGANIZATION :

Our strategy begins with a comprehensive look at ADOR's ecosystem as an organization — an ecosystem that includes a variety of perspectives and demands that influence our vital mission. We then make an honest assessment of our recent past and current reality, including a brutally honest evaluation of our performance. We refer to this as the "current state." The Governor's vision for the State and the agency's vision together define our desired "future state." It is by analyzing the gap between our current state and future state that we develop our plan. ADOR has adopted strategic goals to close the gap between the reality of our current challenges and future state vision.

In addition to the goals, ADOR has identified strategic initiatives to help overcome challenges that could keep us from closing the gap. The strategies are to be developed as specific projects to resolve the challenges. The outcomes associated with our goals, as supported by our strategies, and as executed through our projects, will be measured rigorously by our performance measures.

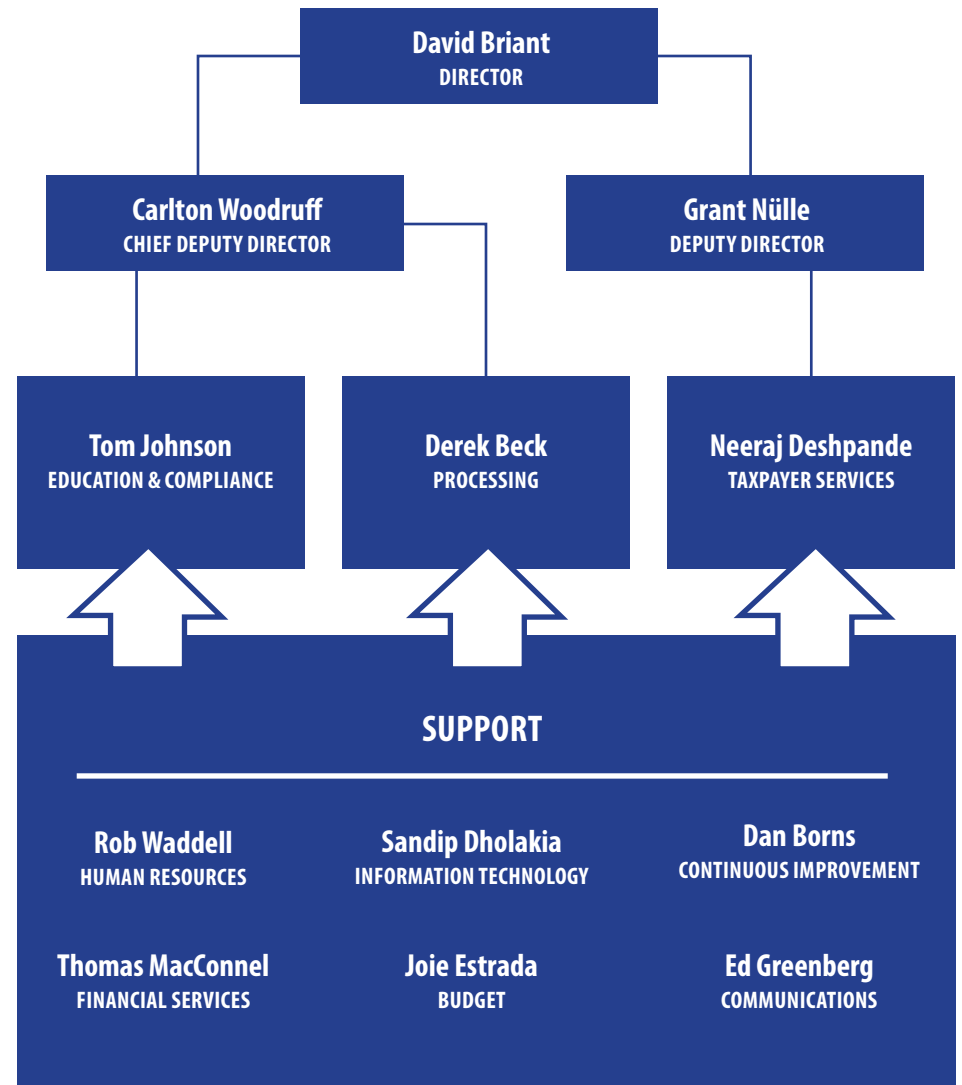
The performance measures ADOR has adopted track success through two primary lenses: the return on investment that taxpayers demand as an outcome of fulfilling our mission — i.e., delivering the revenue that finances Arizona's future, and customer value in the form of quality service.



OUR MISSION: Serving taxpayers!



Continuous improvement by all ADOR employees working together in problem-solving huddle teams under AMS, a professional, results-driven management system that focuses on customer value and vital mission outcomes.



PURSUANT TO ARIZONA REVISED STATUTES (A.R.S.) TITLES 42 AND 43

\$90.6 MILLION

FY 2018 ANNUAL OPERATING BUDGET



KEY ACHIEVEMENTS IN FY 2017:

- **Fully implemented Transaction Privilege Tax Simplification** for all Arizona cities including Phoenix, Mesa, Tucson, Glendale, Scottsdale and Tempe. ADOR is the single point of administration and collection of state and city transaction privilege taxes for all business and residential rental owners in 91 Arizona cities.
- **House Bill 2280**, which requires business to e-file and e-pay TPT and corporate income tax, was signed into law on March 24, 2017. The legislation enhances the Department of Revenue's ability to better operate at the speed of business as it will make the Agency more efficient and cost effective through reducing paper, faster tax return processing for individual taxpayers and businesses, and increased fraud prevention capabilities.
- **Simplified retention requirements** for federal corporate and partnership returns resulting in improved customer experience and 90,000 federal tax returns or 8 million documents a year not requiring processing or storage.



RESOURCE ASSUMPTIONS:	FY 2018 Budget Request or Estimate	FY 2019 ESTIMATE	FY 2020 ESTIMATE	FY 2021 ESTIMATE	FY 2022 ESTIMATE
Full-time-equivalent (FTE) Positions	896.0	896.0	896.0	896.0	896.0
General Fund	31,291.3	31,291.3	31,291.3	31,291.3	31,291.3
Other Appropriated Funds	46,442.4	46,442.4	46,442.4	46,442.4	46,442.4
Non-Appropriated Funds	12,876.8	1,876.8	1,876.8	1,876.8	998.3
Total Agency Funds	90,610.5	79,610.5	79,610.5	79,610.5	78,732.0

NOTE: Excluding FTE's, numbers are in thousands rounded to hundreds.

HOW TO CONTACT THE ARIZONA DEPARTMENT OF REVENUE:

Website: www.azdor.gov

Customer Care-Frequently Asked Questions

Local: (602) 255-3381

Toll-free: (800) 352-4090

Problem Resolution Officer

(602) 716-6025

ProblemResolutionOffice@azdor.gov

Criminal Investigation Unit

Local: (602) 542-4023

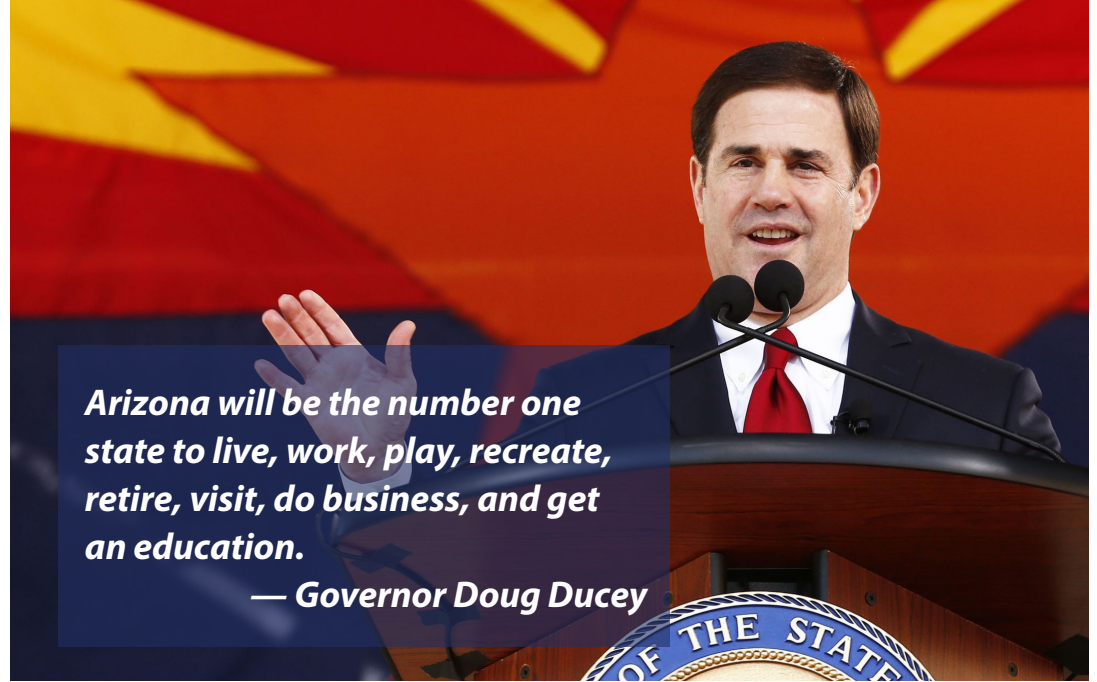
ADOR Identity Theft Call Center

Local: (602) 716-6300

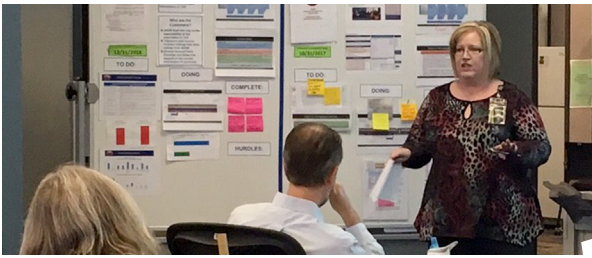
Out of State: (844) 817-9691

The Arizona Department of Revenue (ADOR) administers collection and distribution of individual and corporate income, transaction privilege, withholding and luxury taxes. ADOR is also responsible for oversight on property tax and unclaimed personal property. The Department recognizes the trust Arizonans have placed in the agency to protect their confidential tax information and to securely collect the taxes that continue to fund programs critical to Arizona's future.





Arizona will be the number one state to live, work, play, recreate, retire, visit, do business, and get an education.
— Governor Doug Ducey



Arizona Department of Revenue
1600 West Monroe Street
Phoenix, Arizona 85007

