Tools for Fostering Voluntary Compliance

Morgan Powers
Assistant Director, Taxpayer Services, Tennessee Department of Revenue

Darcy Pyle
Assistant Director, Taxpayer Services, Georgia Department of Revenue
Problem
<table>
<thead>
<tr>
<th>Taxpayer Perspective</th>
<th>Agency Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Late or delinquent returns and payments</td>
<td>• Late or delinquent returns and payments</td>
</tr>
<tr>
<td>• Receiving notices</td>
<td>• Mailing notices</td>
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<tr>
<td>• Slower customer service</td>
<td>• Slower customer service</td>
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<tr>
<td>• Account corrections</td>
<td>• Account corrections</td>
</tr>
<tr>
<td>• Creates avoidable cases and collections</td>
<td>• Creates avoidable cases and collections</td>
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</tbody>
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Anticipating Trends and Behaviors

How can we better serve our customers who want to be voluntarily compliant?
Introducing Behavioral Insights

How do we design systems, processes, and communications to respond to the way people *actually* behave?
Is That Your Final Answer?
Behavioral Insights and Government

- Social & Behavioral Sciences Team (SBST) – United States
- Behavioural Insights Team (BIT) in the U.K.
- Internal Revenue Service (IRS)
- Cass Sunstein / Office of Information and Regulatory Affairs (OIRA)
- Philadelphia Behavioral Science Initiative (PBSI)
- Bloomberg Philanthropies - What Works Cities (WWC)
- Australian Taxation Office
Communication: “Simplify, Simplify”

- Plain Language
  - “You sent me this letter. What does it say?”
  - Federal legislation: Plain Writing Act of 2010

- Simplifying letters
  - Increased payments in Poland by 17%

- Formatting for cognitive ease
  - Using colors and **bold text**

- Billing letter overhaul: Georgia compliance division project
Communication

• Step-by-step Instructions
  – Videos
  – FAQs

Informational Videos

These tutorials provide basic information for taxpayers on the topics listed below. Click on the video’s title to watch:

• [Professional Privilege Tax](#), (3:11 minutes) This informational video explains the tax rate, due date, and which licensed professionals must pay Tennessee’s professional privilege tax.

• [Business Tax Classification 1](#), (3:30 minutes) This video explains the types of businesses that should register for business tax classification 1 (there are five different classification 1 categories).

• [Business Tax Classification 2](#), (2:43 minutes) This video explains the types of businesses that should register for business tax classification 2 and provides examples of such businesses. Businesses that sell tangible personal property typically fall under this classification.
Communication: Tax Booklet Simplification

- Partnered with CPA group to improve Income tax booklet
  - Language updates
    - Legal jargon
    - Descriptions of line calculations
    - Removed content that average taxpayers didn’t read
    - Replace out of date language
  - Used statistics to determine what was not used
  - “Check this box” was not on the same page for the item it referenced
  - Alphabetized table of contents vs. page order
  - Links to bookmarks vs. see this page
Communication: Mode of Delivery

• Emails vs. letters

• Postcards vs. letters

• Reminders vs. delinquency notices

• Text messaging
  • Campaign in U.K. increased payments by 50%
Communication: Framing the Message

- Loss aversion
  - Saving time instead of pushing mandates
  - “Losing something makes you twice as miserable as gaining the same thing makes you happy.” - *Nudge*

- Social norms and public good
  - National Bureau of Economic Research study (U.K.) resulted in payment increase
    - “Nine out of 10 people had already paid their tax.”
    - “Paying tax means we all gain from vital public services like the NHS, roads, and schools.”

- Social recognition
  - Publishing the names of taxpayers who are not in compliance
“One of the central findings from behavioral sciences is that if you want somebody to do something you should start by making it easy for them to do it.”

- Behavioral Insights Team (BIT), 2012
Design for Compliance

• Integrate customer feedback

• Redesign forms
  – Georgia’s redesign of sales and use tax forms
    • 89% of taxpayers file within one county
    • Navigation based on questions
    • Present only what users need
  – Move signature box to the top of forms to promote honesty
  – Forms-a-Palooza in Washington, D.C.
Design for Compliance

• Third Party or Tax Professionals Online Functions
  – Opt-in notifications
    • Notify tax professionals when one of their clients received a letter
    • Electronic copy of a mailed letter if they have online access to that account
  – Submit power of attorney – attaches directly to taxpayer account
  – New: can register a new business (never filed a return)
  – 85% of web requests are mobile-friendly
Outreach and Education

- Conduct on site
- Conduct webinars for tax professionals and taxpayers
- Be open for feedback
- Be transparent
Fostering Voluntary Compliance

• What’s Next?
  – Determine taxpayer responses to Department’s actions
  – Best collections and contact methods
Questions?

Comments?

Morgan Powers
Assistant Director, Taxpayer Services
Morgan.powers@tn.gov

Darcy Pyle
Assistant Director, Taxpayer Services,
Darcy.pyle@dor.ga.gov