

GREAT FALLS TRIBUNE

A P U L I T Z E R P R I Z E - W I N N I N G N E W S P A P E R

www.greatfallstribune.com

No. 337 — 119th Year

WEDNESDAY

April 14, 2004

Great Falls, Montana — 50 cents

State 'overjoyed' with new tax computer system



TRIBUNE PHOTO BY MIKE DENNISON
Larry Sullivan, withholding tax unit manager for the Montana Department of Revenue, looks over an entry on the agency's new tax-tracking software at offices in Helena.

By MIKE DENNISON
Tribune Capitol Bureau

HELENA — After blowing \$35 million on a computerized tax-tracking system that never quite worked, Montana's Revenue Department hopes just the opposite is happening now.

Eight months into the work by a new contractor on a new system, state revenue officials say they're not only getting something that works, but they're also spending less than originally expected.

"I'm absolutely overjoyed with this system in comparison to what we had before," says acting state Revenue Director Don Hoffman. "I'm

“ We're going to have to come back and visit with the Legislature to keep this going. ”

— Brian Wolf, Montana's top information-technology officer

more than happy to show case this system.”

The “system” is a tax-tracking software package created by Fast Enterprises, a Boise, Idaho-based firm whose only customers are government revenue agencies.

Fast Enterprises’ “GenTax” software gets good reviews from clients like the state of Idaho, where tax officials say GenTax has

generated an extra \$36 million in state tax revenue the past two years.

Last year, Montana decided to hire Fast to begin work on a new system for Montana. It's paying \$8 million to install and adapt GenTax for five state taxes — rental car, tobacco, lodging, income-tax withholding and oil-and-gas. The state also expects to spend another \$5 million or so on other

aspects of the project this year.

The software from Fast is the first phase of replacing the disastrous POINTS computer system, which the state abandoned last year after several frustrating years of development.

Revenue officials say the problems with POINTS probably cost the state at least \$20 million in tax collections — on top of \$32 million paid to the contractor Unisys and other staff costs.

Revenue officials say the replacement project is on schedule and under-budget, although they haven't finished installing withholding and oil-and-gas taxes, the two most complex of the

five taxes on the new system.

The only negative they see on the horizon is that Fast probably will close shop and leave town when this phase of the project is finished, without replacing POINTS entirely.

The 2003 Legislature authorized money only for a partial replacement of the POINTS system. Even though the replacement is going well, state officials say they can't go much farther without the blessing of the next Legislature in 2005.

“We're going to have to come back and visit with the Legislature to keep this

See COMPUTER, 3A

Computer: New 'proven product' replaces tangle

FROM 1A

going," says Brian Wolf, the state's top information-technology officer. "But I realize they will feel better about that conversation when you can come back with a validated first phase.

"That's what they deserve to see, and that's what they're going to see."

Sen. Corey Stapleton, R-Billings, who sponsored the bill to replace POINTS, says it makes sense to have Fast continue its work and replace the old system entirely.

But that would be betting on the 2005 Legislature approving more money, and the political will isn't there to take that gamble, he says.

"It's unfortunate, because I think they could finish the whole thing," he said last week. "But that would be more than they were asked to do."

James Harrison, a partner in Fast Enterprises, says his company would charge another \$15 million to incorporate individual and business income taxes and other remaining taxes into the new system. Those taxes remain on the POINTS system, which is still able to function.

POINTS, whose development began in the late 1990s, was supposed to create a new "integrated" computerized system to track all taxes collected by the Revenue Department.

The department pulled the plug on POINTS last year, after struggling for months to fix problems related to inaccurate data transfers and other flaws in its operation.

While Unisys attempted to build a system from the ground up, Fast Enterprises developed a software package specifically for government revenue agencies.

It, too, offers an "integrated" system, which means the Revenue Department can track on one system multiple taxes paid and/or owed by a single customer.

Harrison says Fast was formed in the late 1990s by computer experts who thought they could offer a less expensive, "off the shelf" software package for revenue agencies.

Instead of building a unique system each time, Fast built one

product — GenTax — and uses the same software package, adapting it to the unique aspects of each tax-collection agency, he says. It also costs less and takes less time to implement, he adds.

"We felt the agencies were starving for this sort of solution," Harrison says.

Hoffman says revenue officials talked to officials in New Mexico and Louisiana about GenTax and visited Idaho before signing a contract with Fast, to see how the product worked.

"The way their product works, it's almost like you going out and buying Microsoft and plugging it into your machine," he says. "It's very user-friendly, and this is an absolute proven product."

A dozen Fast employees set up shop in a downtown Helena office building last fall, working with Revenue Department employees to install GenTax.

They started with the state's new rental car tax and added tobacco and lodging taxes as of last month.

Business withholding and oil-and-gas taxes are next, and should be finished by September.

Revenue officials say the project looks to be about \$1 million under spending projections, which already were less than the Legislature authorized last year.

The state expects to spend about \$13.3 million to get all five taxes up and running this year, Hoffman says.

Harrison says once his company finishes work this fall, it can't stick around for phase two unless it gets paid.

Leaving and then coming back later to finish the job will cost more money, he says, and the state will have to run two separate systems for at least another year — GenTax and the remnants of POINTS.

But revenue officials say they're not ready yet to plunge ahead into phase two.

"We're trying to be careful," Hoffman says. "Once we get through (installing) the withholding tax, maybe we can talk about what we'd do next. We want to be on the conservative side as we move forward."

Mike Dennison can be reached by e-mail at capbureau@mt.net, or by phone at (406) 442-9493.