

North Carolina Department of Revenue

Areas of interest for potential research projects

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The NC Department of Revenue has shared a list of areas of interest that would benefit from research. The list is not final and more items may be added at any time. Individuals interested in discussing opportunities for research on these issues may contact david.roseberry@ncdor.gov.

1. What is the future of state and local tax in light of changing business models and technological advancements (i.e. alternative fuel fleets with greater range, gig economy, app-based merchants with state independent contractors)?
2. What is the possible taxation impact on the shift to electric vehicles? Fuel tax is a large revenue stream and a significant shift to hybrid and electric vehicles will necessarily slow down revenue collected from fuel sales.
3. What is the future of state and local tax in light of changing business models and technological advancements such as the ability to establish digital store fronts via marketplace facilitators? Specifically, what audit methods and forensic accounting methods will need to be developed in order to ensure collection of revenue due to the state?
4. What is the future of state and local tax in light of changing business models and technological advancements such as the ability to hire independent contractors via apps such as Uber and Takl? Specifically, what audit methods and forensic accounting methods will need to be developed in order to ensure collection of revenue due to the state?
5. What issues will the expanded use of digital currency and peer-to-peer cash apps create in terms of DOR's ability to enforce compliance?
6. How can we use advanced business analytics to project individual tax liability, making compliance more convenient and service more expedient? For example, CalFile in California.
7. What are the key DOR performance indicators in the new workplace?
8. Small businesses can quickly fall out of compliance if they do not timely file their sales tax that they have withheld. In addition, most customers now use credit cards to pay for goods and services. The thought is to explore with the credit card companies a service for small businesses where the sales tax be automatically submitted to the Department of Revenue on behalf of the business. This keeps them timely filed, removes a complicated step to

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calculate and remit sales tax and allows the credit card company to offer a new service to small businesses.

9. Look at the reasons small businesses get into arrears with the NCDOR. How many are successful in getting back into compliance and how many fail once the trouble starts. NCDOR wants businesses to stay operational so they generate tax income and hire people in the local communities. Anything we can do to prevent a business from closing would be welcome by the state and the business community. Is it possible to have a program (joint with Commerce) to identify red flags to suggest a small business may be failing and to intervene with training and support around tax issues, cash flow management or other areas of concern to help keep the business in compliance and succeed rather than fall in arrears and collapse.
10. Changing the format of tax forms can affect compliance. For example, the State of North Carolina changed the format of the tax return in a way that highlighted the requirement to pay use taxes. The idea was that if the use tax were more prominently displayed, it would be more difficult for taxpayers to ignore it, and this additional information would increase voluntary compliance with the use tax.
11. In 2010, Joshua Blank and Daniel Levin published a study that showed that tax enforcement press releases become more frequent in the few weeks before April 15. In other research, it has been shown that companies are sensitive to public scrutiny of their tax doings, and that social norms affect taxpayer behavior. Additionally, there is some research that suggests that simple reminders of moral obligations and consequences of non-compliance can significantly discourage cheating, etc. NCDOR issues press releases related to successful enforcement actions. Are there actions that NCDOR could take that, if structured properly, might improve voluntary taxpayer compliance?
12. NCDOR has a significant amount of personal data. Can NCDOR provide a service to taxpayers such as the ability to see all of you own personal data and possibly push notifications when/if data changes or we have detected that your identity may be at risk? For example, a taxpayer signs up with us, reviews all the data we have and confirms accuracy. We find a new address later and push a text to the taxpayer letting them know we have a new address, bank account, payment, refund request, etc. so they can detect fraud early...similar to what banks and credit cards do.
13. Can outreach programs to specific demographic areas increase compliance? For example, portions of the population may be distrustful of government agencies. Is there a tailored way to address these communities to build trust and understanding? (other examples are: the elderly who may view contact by DOR as a scam.; Snowbirds may owe property tax on a beach house and we contact them at the NC address. They never see the bill and wind up owing back taxes)

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