



Notice of Collection Insert Project

Taxpayer Outreach Initiative

Barrett Morris, Assistant Director
Taxpayer Assistance and Collection Division

Notice of Collection Insert Project

- Background: DOR has multiple versions of an informational one page insert that is mailed with notices.
 - Discovered multiple versions of similar inserts created by different divisions
 - All versions had to be updated anytime information changed
 - Outdated information included on the inserts
 - Desire to create improved communication and provide direction for taxpayers to decrease questions about next steps and how to pay bill
 - Effort to increase the use of online resources and online paying options
 - Out of Scope: Updating DOR notices



Notice of Collection Insert Project

- Purpose: To update the insert mailed with a Notice of Collection (final bill) using behavioral science to encourage taxpayers to pay prior to DOR initiating collection action
 - The updated insert would then replace any and all versions of supplemental information provided throughout the department.
- Project Team:
 - OSBM
 - Duke University Center for Advanced Hindsight
 - University of North Carolina Law Department
 - DOR representatives: Barrett Morris, Brandon Bell, and Josh Ligon



Notice of Collection Insert Project

- Project Team:

- OSBM

Jenni Owen, Director of the NC Office of Strategic Partnerships.

- Identifies and launches strategic partnerships between and among state government, universities/colleges, philanthropy, and other entities.
- Met with DOR team to explore how an external research partner could help. NCDOR needed a partner with expertise and experience in behavioral science and design and, ideally, a partner with knowledge of tax law.
- Shared NCDOR's partnership opportunity widely and receiving expressions of interest from researchers, OSP connected our team with behavioral researchers from Duke University and a University of North Carolina law professor whose expertise is tax law.



Notice of Collection Insert Project

- Project Team:

- DOR representatives: Barrett Morris, Brandon Bell, and Josh Ligon

Brandon Bell, Associate Director of Digital Communication

- NCDOR website manager
- Previous manager of outbound contacts/noticing
- Experience with previous communication projects as part of Taxpayer Assistance Division

Josh Ligon, Manager of Outbound Contacts

- Experience in collection work as a Revenue Officer
- Previous contact center manager
- Point of contact for all outbound notices and DOR print vendor

Notice of Collection Insert Project

- Project Team:

- Duke University Center for Advanced Hindsight

Joey Sherlock, Senior Behavioral Researcher, Center for Advanced Hindsight, Duke University

- Leads the Government Team at the Center for Advanced Hindsight – a team which focuses on using behavioral science to bring innovation into civic society and has programs with funds totaling over \$2 million.
 - On an extended sabbatical from central government in the UK where he is a Principal Behavioral Scientist with HM Revenue and Customs.
 - Wealth of experience applying behavioral science and human-centered design to difficult behavioral challenges, mostly in the sustainability, transportation, tax, financial decision making and health arenas.

Sample Insert of Current Communication

rev. 1-18



NCDOR

NORTH CAROLINA DEPARTMENT OF REVENUE

2401

— Has Back —

Paying or Responding to Your NCDOR Notice of Self Assessment

Why did I get this notice?

For more information about this notice, use your smart phone to scan the QR code to the right or visit www.ncdor.gov/notices/selfassessment.html



How do I pay the balance due?

By paying in full, you will avoid collection actions and additional interest and penalties. If you can't pay at this time, see the What if I can't pay? section to the right.

By paying in full, you will avoid collection actions and additional interest and penalties.

- **Pay online:** Visit www.ncdor.gov/electronicbillandnotice.html and use your credit/debit card or bank draft to pay
- **Pay by phone:** Call 1-877-252-3252 and use your credit/debit card or bank draft to pay
- **Pay by mail:** Use the enclosed envelope to send your check or money order and the voucher at the bottom of your notice to P.O. Box 25000, Raleigh, NC 27640. Enter your notice number on the memo line of your check or money order.

What if I can't pay?

If you can't pay immediately, you may be able to set up an installment payment agreement.

How do I set up an installment payment agreement?

Visit www.ncdor.gov/collect/installment.html to submit an Installment Agreement Request form.

What are the requirements?

- You must file and pay all returns in full during the term of your agreement
- You must have a bank account and allow NCDOR to draft payments from your account

The Department will automatically accept an installment payment agreement that falls within one of the following parameters.

Tax Type	Total Balance Owed	Repayment Period
Income	Less than \$1,000	15 months
Income	\$1,000 - \$6,999	30 months
Income	\$7,000 - \$49,999	40 months
Income	\$50,000 or more	50 months
Business	Less than \$7,000	6 months

Will I still accrue penalties and interest?

By NC law, you will continue to accrue penalties and interest even with a valid installment payment agreement. You can reduce the amount of penalties and interest you accrue by paying in full or increasing your monthly payment amount. Interest accrues at a rate of 5% per year (see G.S. 105-24.21). This rate is subject to change.

What information do I need to pay?

To have your payment **drafted** from your bank account (by bank draft), please have the following information available:

- Bank account number
- Bank routing number
- Account type (checking or savings)
- Notice number
- Amount of payment (no convenience fee)

To pay by **credit/debit card**, please have the following information available:

- Credit/debit card number (MasterCard/Visa)
- Expiration date
- Zip code
- Notice number
- Amount of payment and convenience fee (\$2 for every \$100 increment of your tax payment)

What happens if I don't pay immediately or enter into an installment payment agreement?

This is your final notice before legal action may begin. If you do not pay the full amount due immediately, or establish and maintain a valid installment payment agreement, the NC Department of Revenue has the authority to begin collection procedures as outlined on the Taxpayers' Bill of Rights and may proceed with one or more of the following actions:

- **Seize assets** - Have a sheriff or collection officer take property not exempt by law from seizure and have it sold to pay your tax debt.
- **Serve garnishments** - Take 10% of your wages or withdraw from your bank account to pay this bill - an action that may cause the bank to freeze funds in the account.
- **Issue certificates of tax liability** - Put a lien on your real estate/land and other property, which may negatively affect your credit rating.
- **Assess the collection assistance fee** - The fee is 20% of the amount of overdue tax debt that remains unpaid 30 days or more after the fee notice is mailed.

Sample Insert of Current Communication

rev. 1-18



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NORTH
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2401

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Initial Meetings- Identifying the Issue

- What do we do during the collection process?
 - Gave the team context of the project and current processes
 - Reviewed current notices
 - Focused efforts on reviewing the collection notice (final bill) which includes the current project insert
 - Reviewed collection activity and next steps after collection noticed is mailed.
 - Discussed “Why don’t people pay their taxes?”
- Has DOR ever done studies about noticing, inserts or other communication?
 - Very little previous data due to difficulty of surveying non-taxpaying population.
 - We do seek opinion from CPA associations, tax attorneys, professional tax accountants
 - This initiative would be different because we were gathering taxpayer feedback without actually reaching out to the taxpayer to seek opinion/feedback.
 - Gathered data based on action or response, in order to improve communication.

Initial Meetings- Problem Solving Process

- What communication language may change behavior?
 - How could we be more transparent to better outline next steps (actions) to take?
 - How could we be friendly and informational but also official?
 - How could we change the perception that taxpayers don't want to "talk" to us?
- Brainstormed possible versions of the insert
- Discussed taxpayer motivations to pay tax or to act to resolve balance
 - Social Norming: 9 out of 10 NC residents are paying their taxes on time.
 - Government Awareness: What are my taxes used for? Why should I pay my tax?
 - Financial Awareness: Fees will be added to your account if you do not pay.
 - Forced Collection Awareness: We will collect by serving a legal document to garnish your pay or take 100% of funds from your bank account.
 - Social Awareness: We will notify your bank or employer of your debt. We will record a lien making your debt public record.

Initial Meetings- After Brainstorming

- 12 weeks of initial meetings (meeting every other week)
 - Identified challenges and constraints we may face
 - Did we need to include statutory language? Is there required info we had to display?
 - Ability to randomize. How many versions could we test? Would we have constraints to due our system or print vendor?
 - Form, print version capabilities (1 color v 2 color prints)
 - Data gathering (Using a legacy system)
 - Reviewed different versions of the insert
 - Discussed different perspectives from each of the partners
 - Gathered feedback! And then gathered more feedback.
 - UNC sent to law associates
 - DOR sent to front line employees (internal focus group who may not see taxpayer communication daily)
 - DOR also sent to Taxpayer Assistance and Collection team, Division Directors
 - Duke sent to their behavioral science team
 - OSBM reviewed and sent to colleagues

Where did we decide to focus?

- Focused on simplifying language and emphasizing the call to action and timeline.
- Decide on two initial inserts to test:
 - Financial Awareness Deterrent
 - Social Awareness Deterrent
- Made changes that are intended to increase taxpayers' understanding of the language and their options.
- Keep an open mind! Most of us are experts in our field, but our knowledge may complicate our message.
- Keep it simple!
- Changed the ink color to focus the eye to the most important information.
- Placed desired response/action towards the top of the page.
- Used a shortened URL for taxpayers to access information online.

Insert #1:

The Control
Version

You are receiving this notice because you owe an amount to the NCDOR. You need to pay your bill now, whether all at once or in installments.

WHAT ARE THE OPTIONS?



PAY IN FULL ONLINE



Go to this website, and follow the instructions:

<https://www.ncdor.gov/file-pay/pay-bill-or-notice>

You can use your credit/debit card or a bank draft to pay your bill online. You will need your notice number, taxpayer identification, and information related to your method of payment.



PAY IN FULL BY PHONE



Call this number and follow the instructions:

1-877-252-3252

You can use your credit/debit card or a bank draft to pay your bill. You will need your notice number, taxpayer identification, and information related to your method of payment.



PAY IN FULL BY MAIL



Use the enclosed envelope to send your check or money order and the voucher at the bottom of the first page to this address:
P.O. Box 25000, Raleigh, NC, 27640

Enter your notice number on the memo line of your check or money order, payable to North Carolina Department of Revenue.



PAY IN INSTALLMENTS



First, visit this web page to learn about installment pay agreements work and to see if you qualify:

<https://www.ncdor.gov/taxes-forms/collections-past-due-taxes/installment-payment-agreements>

If you determine you qualify, click "Request Installment Payment Agreement."

CONTACT THE DEPARTMENT OF REVENUE

If you have questions about your notice, the amount due, or your next steps, please contact us:

- Browse our website: www.ncdor.gov
- Look at this page for questions on this notice: <https://www.ncdor.gov/received-notice/notice-collection>
- Call this number: 1-877-252-3252. Assistance is available Monday through Friday from 7am to 5pm EST.

Insert #1: Control Version, continued



You are receiving this notice because you owe an amount to the NCDOR. You need to pay your bill now, whether all at once or in installments.



WHAT ARE THE OPTIONS?



PAY IN FULL ONLINE



Go to this website, and follow the instructions:

<https://www.ncdor.gov/file-pay/pay-bill-or-notice>

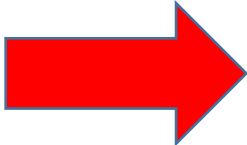
You can use your credit/debit card or a bank draft to pay your bill online. You will need your notice number, taxpayer identification, and information related to your method of payment.

Insert #2: The Financial Deterrent



You are receiving this notice because you owe an amount to the NCDOR. You need to pay your bill now, whether all at once or in installments.

YOU MUST RESPOND TO THIS NOTICE



Because you owe an amount to the North Carolina Department of Revenue, you need to pay your bill immediately, either all at once or in installments. If you do not take action to pay in full or establish a payment plan within 60 days, a 20% collection assistance fee will be added to your total bill. Interest will also continue to be added to the amount of tax owed.

TO PAY IN FULL ONLINE

Go to this website, and follow the instructions:

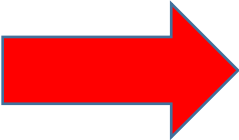
<https://www.ncdor.gov/file-pay/pay-bill-or-notice>

Insert #3: The Social Deterrent



You are receiving this notice because you owe an amount to the NCDOR. You need to pay your bill now, whether all at once or in installments.

YOU MUST RESPOND TO THIS NOTICE



Because you owe an amount to the North Carolina Department of Revenue, you need to pay your bill immediately, either all at once or in installments. If you do not take action to pay in full or establish a payment plan, we may notify your employer or financial institution of your tax debt and initiate garnishing. We may also file a lien against you, making your tax debt public record.



TO PAY IN FULL ONLINE



Go to this website, and follow the instructions:

<https://www.ncdor.gov/file-pay/pay-bill-or-notice>

Initial Project Plan

- **What is A/B testing?**
 - A/B testing, also known as split testing, refers to a randomized experimentation process wherein two or more versions of a variable (in this case the insert) are shown to different segments of a population at the same time to determine which version leaves the maximum impact and drive business metrics and desired results.
 - “A” refers to the control version, “B” refers to the variation or new version.
- **Project Plan:** Inserts will be mailed with the 2019 Individual Income Tax no-remit collection notices (N002401) beginning Sept 2020 (pushed back due to Covid-19 extended tax deadlines)
 - Population: 400,000
 - 3 versions of the insert (in our case a control, social, and financial version)
 - Each version of the insert will run on separate, consecutive weeks on a rotating basis
- **“No remit” population:** Taxpayers who file a return by the tax deadline, but do not submit a full payment or submit no payment.

How will we collect data and show results?

- Query 2019 tax cases to determine the number of taxpayers who entered into a payment plan or pay in full as a result of receiving a certain insert (our desired outcome)
- Query 2018-2015 tax cases to gather baseline data (same as above)
- Was there a payment after 30 days? 60 days? 90 days?
- If a payment plan was established, was it completed?
- Was no action taken by the taxpayer?
- Was there a certain population of people who responded?
 - Collected demographic information from returns
 - Amount due on return, zip code, household size, filing status (married joint, single, head of household), total income reported

Notice of Collection Insert Project Results

- Current status:
 - Data has been collected for 12 months
 - DOR Tax Analytics created a script and queried taxpayer population to gather key data
 - Data is currently being reviewed by Duke University
 - The query script is being analyzed so we can use it in the future at the “push of a button” to obtain similar data from our systems.
 - We’ve had to be patient to gather data results
 - Some results such as was payment plan completed take time.
 - Updated all old version of the insert to the new control version

Notice of Collection Insert Project Results

- Future Project Plan:
 - Create a more randomized A/B testing strategy/mail plan with external print vendor
 - Add additional “B” versions of the insert
 - Social norming
 - Government awareness
 - Add new inserts to other types of DOR notices to replace inserts we identify as “old” or outdated throughout the Department
 - Add or edit language on our website for consistency
 - We continuing to gather data to help guide our next steps for this process and future projects in order to make a more informed decision.