

**Nebraska State
Records Board**
440 So. 8th, Suite 210
Lincoln, NE 68508
(402) 471-2745

John Gale
Chairman



**APPLICATION FOR STATE RECORDS BOARD GRANT
TO IMPROVE ACCESS TO PUBLIC INFORMATION
(State Agency Grant Application)**

State Agencies desiring grants from the Nebraska State Records Board for projects to improve access to state government information should complete this application and follow any procedures outlined in this application and any accompanying materials.

I. Grant Summary

1. Name of agency applying for grant Nebraska Liquor Control Commission (NLCC)

2. Title of project Online Excise Tax Reporting & Payment System

3. Brief Description of Project

The Nebraska Liquor Control Commission (NLCC), created by the Liquor Control Act of 1935, regulates and controls all phases of the manufacture, sale, distribution, and traffic of alcoholic beverages in the State. The Commission regulates the liquor industry by the issuance, revocation, or suspension of liquor licenses as provided by statute. The Commission is also responsible for the collection of applicable license and permit fees and the excise tax on alcoholic beverages, which are remitted to the State Treasurer. The Commission is composed of three members who are appointed for a term of six years by the Governor with approval by the Legislature.

The Nebraska Liquor Control Commission is charged by the Legislature to enforce Chapter 13 of the Nebraska Statutes. Within the Chapter is Statute 53-164.01, requires beer wholesalers, spirit/wine wholesalers, brew pubs and farm winery licensees to submit excise taxes on a monthly basis from the sales of alcoholic beverages. The Commission receives the monthly state excise tax returns which trips an internal audit of the report to insure the full submission of all taxes due. Each months tax receipts equal on an average \$2,114,973. The state excise taxes collected are then submitted to the State Treasurer and land finally in the general fund. The state excise collected equals approximately 27 million dollars per year. The scope of the liquor industry includes 27 beer wholesalers, 21 spirit/wine wholesalers, 19 farm wineries and 16 brewpubs all required to file monthly state excise tax returns for a total of 83 returns.

Currently all state excise tax returns submitted are processed on a manual review process. If this grant is allowed, a majority of the process work will move to an automated level. The automation is projected to save processing time, be cost efficient and extremely accurate creating greater assurance of full accountability.

3. Grant request amount \$25,000

4. Will there be a fee for accessing records associated with this project? No (See Attached)

5. If yes, provide any statutory reference or authorization for the fee N/A

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II. Grant Detail

1. Please describe the project in detail (you may attach this description)

Business Case:

Currently all wholesale beer, wholesale spirit/wine, brew pub and farm winery license holders file their monthly state excise returns in paper form. Also, all tax payments including penalty payments are paid by check through mail or walk in.

The tax return carries the requirement of numerous supporting schedules with many math equations and totals carried forward to lead tax return.

Under the new project tax remitters can file their tax by electronic means and submit the tax payment by ACH. The ACH payment would be available to beer, spirit/wine wholesalers, farm wineries and brew pubs. The electronic filing will eliminate many math errors committed by the tax remitter and thereby relieving the revenue division staff from correcting these errors. Also, Liquor Control staff must open mail and sort out all documents received. The new procedure will reduce this time consuming task since documents will be received and reviewed by electronic means. The tax payments are received by check. After deposit is prepared, the checks are hand carried to the State Treasurer, which carries risks and is time consuming; under the new project plan, these steps could be eliminated.

Technical Requirements:

- 1.) Provide a method by which users could enter the pertinent information for the beer forms 35-7000, 35-7005, 35-7010, 35-7015, and 35-7020; spirit/wine forms 35-7050, 35-7055, 35-7060, 35-7065, 35-7070 importing relevant information from one form to another where applicable.
- 2.) Provide notification and create an administrative side to the application where NLCC could view submissions and accept or reject them.
- 3.) Allow submissions to be archived until accepted by NLCC, so that licensees may go back and make changes.
- 4.) Provide a method by which users can make a payment online using the ACH payment option.
- 5.) Provide computations of taxes due

2. Please describe whom the beneficiary or recipient of this service will be and projected activity for access or use of the proposed service

There are three primary beneficiaries of this project; the distributors, NLCC, and the State of Nebraska.

This new service will benefit any business that holds a class W or X liquor license in the state of Nebraska. At this time there are approximately 27 Beer Wholesalers and approximately 21 Spirit/Wine Wholesalers that will potentially use this new service. Allowing wholesalers to submit the forms and pay on line will decrease user error rates and get the agency's tax monies into the bank accounts more efficiently and timely. This will increase the amount of interest for the state since the monies collected will be deposited into bank accounts quicker than the current process of mailing them in.

3. Timeline for implementation (specific completion date must be provided, grant funds

lapse if not expended prior to completion date).

It is intended that this project the beer distributor reports be launched by January 2008. The process for the wine/spirit distributor reports will start shortly after and it will be intended to launch by fall 2008.

4. Agency contribution to project (labor, equipment etc.)

The Liquor Commission staff will maintain the information in the administrative site, created by Nebraska.gov, to review and print reports filed by wholesalers including payments. They would then contact the wholesalers with issues on forms or attachments. Attachments (invoices, transfers, returns or receivers) will still be sent to the agency. These attachments need to be cross checked with the tax return forms that are filed. NLCC would then receive a copy of monies deposited daily from Nebraska.gov if transactions occur. NLCC would then enter monies into NIS and fax deposit information to the State Treasurer. Liquor Control revenue division would update additions, deletions and changes of wholesalers. Database will be created by Nebraska.gov.

5. Has this project ever been submitted as a budget request (explain)?

No, the agency does not have a specific budget request set up at this time. The costs were not discovered until after the 2008 budget costs were submitted. The costs are for initial setup. Any maintenance costs will be asked for in the next biennium budget request.

6. Does the project require additional statutory authority (explain)?

All tax remitters fall under the following Nebraska Statutes:

- (a) Statute 53-160 which states all tax rates for each tax category.
- (b) Statute 53-160.01 which sets forth certain tax free exemptions.
- (c) Statute 53-164.01 sets forth state excise tax due dates.
- (d) Statute 53-165 indicates certain due dates on submission of tax forms.

Under the new procedure, a higher form of compliance will be realized. Penalty and interest assessments will be reduced. This will reduce time to calculate penalty and interest payments.

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7. Why is the grant money needed for the project, and, if applicable, how will the service be sustained once the grant money is expended?

The costs were not discovered until after the 2008 budget costs were submitted. NLCC has committed to a maintenance agreement which provides reoccurring monthly maintenance payments for this service through Nebraska.gov. The yearly maintenance cost is not to exceed \$5,000 per fiscal year.

8. Please describe how this project will enhance the delivery of state agency services or access to those services (you may attach a separate sheet if needed)

Distributors:

Currently the Nebraska Liquor Control Commission's customers are required to mail in monthly paper reports. Some wholesalers are using the official forms created for this purpose; some have created their own in-house solution for reporting, such as an Excel spreadsheet, which has been approved by the agency. All wholesalers are currently paying excise taxes due by check including penalty payments.

Agency:

This new process will increase the speed in which NLCC's tax monies are collected. Approximately 27 million dollars per year will be made available in the general fund. Payees will be assured the monies are received in a timely manner and will not be subject to additional penalty or interest taxation for late fees. This new process will also allow the agency to spend less time on calculations and checking figures to be carried over to other form figures. It will also save up time on cross checking filings from wholesalers.

Under the current system there is a conservative 3 to 5 day deposit lag time before the state can realize interest on monthly deposits. Under the new ACH deposit system, the day deposit lag time will be cut to nearly zero. The electronic transfer of state excise tax collections from wholesale licensees to the State Treasurer will occur exactly on the 25th or the next business day each month versus 3 to 5 days later or sometimes more. It is projected on estimated basis that some \$13,000 of interest will be gained by the state each 12 month period. Over a three year period some \$39,000 additional interest could be gained by the State. Also, currently the Commission staff hand carries to the State Treasurer each year nearly 1,000 checks to be processed through the banking system. Under the new ACH program, no longer will checks need be hand carried and processed which will certainly result in a huge cost saving in time and work for the agency, licensees and savings for citizens.

9. Please describe how this project will 1) Improve the efficiency of agency operations; 2) Facilitate collaboration among state agencies; 3) Facilitate collaboration between state agencies and other public institutions; Support public/private partnerships in the delivery of public services (you may respond to any or all of these criteria in your answer, attach additional pages if needed)

This new online e-government service will allow this NLCC division to be more efficient and significantly reduce a large amount of paper processing. It will allow NLCC to spend less time on calculations and checking figures to be carried over to other form figures. It will also save time on cross checking filings from wholesalers. This time savings will allow the division more opportunities to concentrate on other desk and job responsibilities. This would also save our industry in having to revise and re-file forms that are incorrect.

Currently NLCC has 27 beer wholesaler and 22 spirit/wine wholesaler reports that are due the 15th of every month. The taxes from these reports are due by the 25th of each month. The reports need to be reviewed for accuracy before the 25th. If discrepancies are found we can notify the wholesaler before the next months filings are sent to our office. Then the dollar adjustment is not delayed until the following months report. This would also prevent the wholesalers from having to file revised forms due to calculation errors or errors in carrying figures over to other forms incorrectly. Commission staff wouldn't have to hand carry wholesaler monies over to State Treasurer. In the new process paperwork will be faxed to State Treasurer. Sometimes our division will need to enter 3 different deposits throughout the day. This would also allow us in the new process to only enter 1 deposit. The industry has a few wholesalers that walk in checks, this would no longer need to be done. We require envelopes with payments be post marked by the 25th. Therefore sometimes we receive the envelopes in the mail 3 days after the 25th. We would no longer have a 3 to 5 days lag time that it takes to get deposit monies entered and sent to State Treasurer.

Our division would have an approximate 90 hours a month savings on cross checking calculations, figures and entry of deposits. This time would then be applied to other internal audit steps that are not being done currently. Which would result in stronger compliance.

III. Technical Information

1. Describe the hardware, software, and communications needed for this project and explain why these choices were made.

N/A

2. Address any technical issues with the proposed technology including:

- **Conformity with generally accepted industry standards. Projects which interface with other state systems (such as distance learning systems) should also address NITC technical standards and guidelines.**
- **Compatibility with existing institutional and/or statewide infrastructure.**
- **Reliability, security and scalability (future needs for growth or adaptation).**

N/A

3. Describe how technical support will be provided.

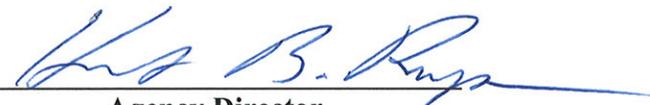
Technical support for these forms will be provided by Nebraska.gov pursuant to an addendum to the master contract between the Nebraska State Records Board and Nebraska.gov. NLCC has committed to a maintenance agreement which provides reoccurring monthly maintenance payments for this service through Nebraska.gov. This yearly maintenance cost is not to exceed \$5,000 per fiscal year.

IV. CONTACT INFORMATION, SIGNATURE

Contact person for any questions regarding this application Hobert Rupe

phone # 402-471-2574 E-mail h.rupe@lcc.ne.gov

Signed this 1st day of October, 2007


Agency Director

Please Return to:

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4. Will there be a fee for accessing records associated with this project?

No. All forms will be available to beer and wine/spirit wholesalers at no cost. This is a great benefit for the wholesalers since the current procedure only allows them to hand write the information on paper forms, then mail and pay the agency manually each month. Most wholesalers have created a spreadsheet that they mail to the agency to save time each month, and then send their payment in the mail separately. With this online service the wholesalers will be able to fill out all their information online and submit payment all at the same time. This will save them time and the cost of mailing each month. The information will also be more consistent and uniform and help increase efficiency within the agency. Eliminating the paper process and keeping the wholesalers information filed and accounted for will also be a huge benefit to the agency.