Office of the Department of Revenue

Video Tutorials for Small & New Businesses

Mayor's Internship Program 2010

Presented to the Mayor's Management Team
August 10, 2010

TABLE OF CONTENTS

Executive Summary…….. 1

Team Members……. 2

I. Introduction……. 3

II. Methodology…….. 4

A. Research……. 4

B. Registering Your Business and Obtaining a Business Tax Account Number 4

C. Filing Taxes Online……. 4

D. Philadelphia Business Tax Types.……... 5

E. Interviews…… 5

F. Summary…….. 6

G. Instructional Videos Research…… 6

H. Video Production…… 7

III. Recommendations…….. 7

IV. Conclusion……. 9

EXECUTIVE SUMMARY

The City of Philadelphia's current system for paying business taxes online is an arduous process that discourages business owners from filing electronically. Although electronic returns contain substantial benefits compared to traditional filing methods, only a small percentage of businesses make their payments online. Not only does the online system reduce errors by automatically correcting mistakes, it also facilitates faster deposits, increasing interest earnings for the City.

The purpose of this project is to create video tutorials that guide small and new business owners through the City's processes for registering their business and paying taxes online. By making the online processes easier to understand, more businesses will be willing to file electronically. If the quantity of traditional returns is significantly reduced, the City will be able to devote its resources to activities other than assisting individuals with filing returns. Three videos were produced to teach businesses how to register for a tax account and electronically file returns:

- Registering Your Business Online
- Filing Your Business Privilege Taxes Online
- Understanding Philadelphia Business Taxes.

During production we emphasized making engaging videos that address common questions and include step-by-step instructions. The videos are intended to be on the Department of Revenue website, Channel 64, YouTube, and be used in orientations and other training sessions for new business owners.

In addition to producing tutorial videos, we believe several actions could be taken to reduce the complexity of the current processes and increase online filing. Some recommendations include:

- *Add additional payment methods that are low-cost or free*: The 2.49% "Convenience Fee" for those paying with credit cards is neither convenient nor appealing. By adding free electronic check or debit options, filing online may not be seen as a "penalty."
- *Advertise using existing resources:* The benefits of electronic filing for businesses can either be added to existing paper tax forms or highlighted on websites where individuals print out their tax forms.
- *Create an integrated system:* These videos should be one part of an integrated system. This system should start with a centralized and well organized website, include consistent and complete messaging on forms and help resources, and clearly communicate the process.
- *Increase taxes payable online*: Currently, business owners can only pay four tax types online. As a result, many businesses will have to file both a paper and electronic return.
- *Utilize interactive filing:* The online registration application currently recognizes answers provided by users and automatically selects some taxes that must be paid or prohibits certain fields from being completed based on the response given. Expanding this feature to include additional questions would improve accuracy.

TEAM MEMBERS

Project Leader
Marisa Waxman, AICP
Director of Policy, Planning & Outreach
Department of Revenue, City of Philadelphia
Marisa.Waxman@phila.gov

Participating Interns
Akilah Abdul-Rahman, W. Philadelphia, PA – Bryn Mawr College, 2012 – Mayor's Office of Education, PhillyGoes2College Office – Akilah is majoring in English and minoring in Education and Psychology. She is pursuing certification to teach high school English and math and plans to teach in urban schools.

Adonita Ahmetaj – Master's in Public and International Affairs: Public and Nonprofit Management, University of Pittsburgh, 2010 – Health Department, Human Resources

Max Black, Philadelphia, PA – B.S., Economics, B.A., International Studies, Huntsman Program in International Studies and Business, University of Pennsylvania, 2010 – City Controller's Office – Max concentrated in finance and double-majored in International Studies and Chinese. He was a participant in on-campus musical theatre, and spent a semester abroad at Peking University, China, where he enrolled in classes taught in Chinese.

Malvina Dibra – BBA, Risk Management and Insurance, Temple University, 2010 – Office of Risk Management – Some of Malvina's interests are risk management, finance, insurance, claims, workers compensation, and employee benefits.

Angel Feng, NE Philadelphia, PA – University of Pennsylvania, 2012 – Commerce Department, Office of Business Services – She is a Central HS grad (267) and currently pursuing an International Relations major and Consumer Psychology minor. Angel would love to work with a multinational company with a site in China, make a difference in the world, and travel around the world!

George Letavish, Johnstown, PA – MPP, Harris School of Public Policy, University of Chicago, 2011 – Managing Director's Office – George is interested in urban policy, particularly public budgeting, state and local finance, and tax policy.

Rebecca Lopez Kriss, Detroit, MI – MPP, Gerald R. Ford School of Public Policy, University of Michigan, 2011 – Office of Arts, Culture and Creative Economy – Rebecca's educational focus is urban policy, including: transportation and land use, sustainability, and economic development.

Liza Marianni, Cherry Hill, NJ – MPH, West Virginia University, 2011 – Health Department, Women's Health Services – Liza's professional interests lie in maternal and child health, intervention planning, and health policy.

Pam Miller, Aston, PA – B.A., Political Science, Neumann University, 2010 – First Judicial District, Traffic Court Division

Elise Selinger, Burlington, CT – Bowdoin College, 2010 – Office of Councilman Curtis Jones, Junior – A recent graduate of Bowdoin College in Brunswick, Maine, where she studied sociology. She came to Philadelphia for the summer just for the Mayor's Internship Program and is glad that she did!

Hannah Weiss – University of Pennsylvania, 2011 – Deputy Mayor for Health and Opportunity – Hannah is majoring in Urban Studies with a minor in Economics. She intends to work to promote equality, fighting on behalf of, and alongside, vulnerable populations.

I. INTRODUCTION

Few issues play as provocative of a role in the life of the American citizen as taxes. The idea of "no taxation without representation" spawned the birth of our nation and remains an integral part of our national identity. Beyond the importance of taxes in our country's founding, arguments concerning tax policy continuously consume our town halls and political offices. As April arrives and the shadow of "Tax Day" looms over many Americans, paying taxes is also likely to strike fear and discomfort into taxpayers. The process of filing taxes has become so complex and intimidating that many individuals rely on a professional tax preparer, including the Commissioner of the Internal Revenue Service[1]. In fact, approximately 59% of individuals used paid preparers to file their taxes in 2007[2]. The City of Philadelphia's online system is an embodiment of the tax woes that plague the country as a whole. Although conducting transactions online provides the potential for increased efficiency, Philadelphia's current system is a laborious process that confuses citizens. As a result, only a small percentage of businesses file their taxes online. For the City, processing and auditing large quantities of traditional returns requires an exorbitant amount of manpower and resources.

Mayor Nutter's administration has made a commitment to reform the City's government in order to improve customer service and reduce costs[3]. Increasing the electronic filing of taxes will accomplish both of these goals. Electronic filing enables quicker, more cost-effective processing of returns. Mistakes are more likely to be made when filed by paper, whereas mathematical errors are automatically caught and corrected when using the electronic system, which avoids incorrect credits or charges and improves recordkeeping. Additionally, payments made electronically are deposited faster, thus increasing interest earnings for the City.

The purpose of this project is to create instructional videos for business owners to navigate through the online registration and filing processes. If the process of filing taxes online can be made clearer and simpler, more businesses will be inclined to pay their taxes electronically. This will result in a more efficient City government that provides better service to its citizens at a lower cost. In order to accomplish this objective, we developed three instructional videos:

- Registering Your Business Online
- Filing Your Business Privilege Taxes Online
- Understanding Philadelphia Business Taxes.

These videos are targeted at current business owners, encouraging them to switch from paper to electronic filing, as well as new business owners, with the hope they will begin their businesses by filing electronically.

---

[1] (2010, January 14). IRS Commissioner Thinks Filing Taxes Difficult. Retrieved August 2, 2010, from FINS: http://www.fins.com/Finance/Articles/SB126349802544129105/IRS-Commissioner-Thinks-Filing-Taxes-Difficult

[2] Tax Stats at Glance. (2010, August 4). Retrieved August 2, 2010, from IRS.gov: http://www.irs.gov/taxstats/article/0,,id+102886,00.html

[3] Philadelphia Plan. (2009). Retrieved August 2, 2010, from City of Philadelphia, Managing Director's Office: http://www.phila.gov/mdo/PhiladelphiaPlan.html

II. METHODOLOGY

A. Research: First, we attempted to register our own fictitious business in order to understand the registration process. After we registered our business, we went through the online filing instructions at the Department of Revenue's web site. During these steps we discovered that one of the more difficult elements of the process was determining what taxes were applicable to our business. Therefore, we dedicated additional attention to Philadelphia's different business tax types. Finally, we performed research on instructional videos, including those of other state and local governments, to determine the best practices to incorporate in our videos. The following sections contain a list of the actions taken to understand the registration and filing processes, problems encountered, and the steps taken to resolve these issues.

B. Registering Your Business and Obtaining a Business Tax Account Number: To start the process, we performed a search using Google. Typing 'register business Philadelphia', or a similar search, results in the first link redirecting the visitor to the City of Philadelphia's Business Services page. This page contains links to Obtaining a Business Privilege License and Registering Your Business. Although further reading at these individual pages makes it evident that a Business Privilege Tax Account Number is required prior to obtaining a Business Privilege License, the sequence is not initially clear. At this point, confusion may also arise concerning taxes that a business is liable to pay. It is stated that a Pennsylvania State Sales and Use Tax Number may be required before proceeding if your business collects sales tax from your customers. However, there is no detailed description to inform business owners if the State Sales and Use tax applies to them. The link provided redirects users to the Pennsylvania Open for Business homepage, which does not directly provide the user with information regarding the State Sales and Use tax.

Once the online application begins, the information required to enter is relatively straightforward. However, at several instances it is difficult for the user to know if they are providing the correct information. For example, the instructions state to enter a "Federal Employer Identification Number, or, if you do not have employees and are a sole proprietor, a Social Security Number." If a business owner is involved in a partnership, but does not have employees, they may be unsure if they can use a social security number. Additionally, if an individual receives payment for work but their employer does not pay wage taxes on their behalf for that work, the individual is treated as a business by the City of Philadelphia. The individual is liable to the City for the tax on their earnings and must obtain a tax account number, but business owners and individuals may be unaware of who is responsible for paying their wage taxes. The correct answers to these questions or where to find them are not explicitly stated. These two examples highlight the difficulty of comprehending the intricacies of the City's tax codes, which discourages many business owners from filing themselves.

C. Filing Taxes Online: We began by consulting the Department of Revenue's website for instructions about how to file taxes online. It was not difficult to find a link that leads to a summary of methods for tax filing, but the details of the online filing process are confusing. There are numerous options presented, and we were not certain what our next step should be. Also, we were surprised that only four of the city's sixteen business taxes can be filed online.

We concentrated our efforts on filing the Business Privilege Tax (BPT) Regular Form and BPT-EZ Form.

We encountered numerous challenges when trying to find the proper tax forms. There are many steps to acquire the forms, and along the way we were uncertain if we were on the right path. To file the BPT, users are directed to the Online Services page, where there are links for registering for a tax account number as well as filing and paying the four available taxes online. Upon first logging in to file the BPT tax, we were unexpectedly presented with our registration information, and it appeared that we needed to resubmit or reconfirm the information before we could see an actual tax form. Once we accessed the BPT forms, it was unclear how to compute the numbers needed for each line, and it was nearly impossible to find concise and practical instructions. We were also unable to access the BPT Regular form through the link provided on the Online Services homepage. Instead, we accessed the Regular form through a set of links that appear beside the BPT-EZ form.

After gaining access to the BPT Regular form, we were unable to find the individual schedule forms that comprise the BPT through the online BPT form. Furthermore, the abstruse terminology exacerbated an already grueling process. It became apparent that figuring out the process alone would be extremely burdensome and time-consuming, at which point we decided to interview Department of Revenue employees with tax expertise.

D. Philadelphia Business Tax Types: As previously mentioned, one of the more perplexing steps in the filing process is determining what taxes to select when completing the registration application. While the City's Business Services web pages make many attempts to clarify what taxes *might* apply to a certain type of business, the distinction is sometimes ambiguous. Additionally, the redundancy of information, an attempt to appease many different audiences and search styles, only adds to an already overwhelming and confusing web site. Furthermore, the various "help" resources the user may encounter are seemingly incomplete. For example, the help page that is readily available for reference on the online registration form only lists several taxes, not the complete list businesses must choose from. Therefore, users must visit the Department of Revenue's website on business taxes to view a list of all of the City's taxes as well as their accompanied descriptions.

This stage of the process is likely to be a prominent factor in steering business owners to seek professional help. With little tax guidance provided on the registration form, hiring a professional to ensure a business has correctly registered for all applicable taxes may be worth the peace of mind and auditing protection. Due to the importance of determining the correct taxes a business owes, we decided to produce a separate tutorial that explains each City business tax. The video also contains scenarios of sample businesses that we knew to be common fixtures in Philadelphia – a small building contractor, a small grocery store, and a restaurant with a bar.

E. Interviews: After conducting our research, we had numerous questions regarding the registration and filing processes, how to properly fill out the tax forms, and Philadelphia's different business tax types. In order to answer these questions, we conducted interviews of two city employees who specialize in Philadelphia's taxes and the filing process. They were instrumental in our efforts to comprehend how the system works, especially for the sequence of

procedures and specific scenarios not listed online. With their assistance, we were able to identify common filing trends amongst business owners and to design our tutorial with the most frequently needed information. The following individuals were interviewed:

- Eric Houston, Revenue Examiner, Department of Revenue
- Michael Moriarty, Jr., Revenue Examiner Supervisor, Department of Revenue

F. Summary: Throughout the electronic registering and filing processes, we experienced several pivotal problems that guided our focus in the instructional videos. The most important issues worth noting are:

1) *Diversity of tax scenarios:* Every individual's situation is unique, and the existing reference materials and definitions are not necessarily helpful for specific scenarios. Therefore, we attempted to include explanations of common situations that may require more clarity, such as how the business' location determines whether or not they must withhold the wage tax. We also included examples of several types of businesses and the taxes they would be liable to pay.

2) *Navigation:* The sequence in the registration and filing processes is not initially clear. Throughout the processes, both the flow and transitions can appear incoherent. Some of the web pages are unnecessarily convoluted by distracting links that are irrelevant to the task at hand. Individuals are also required to click on multiple links that redirect the user to different websites, many of which consist of duplicate information, non-working links, or unhelpful support pages. Overall, the myriad of deceptive links create a bureaucratic labyrinth where only the most courageous and patient businessmen dare to venture. In an attempt to resolve these issues and eliminate any confusion, we emphasized the appropriate links on each page.

3) *References:* The reference materials are not centralized in one easy-to-access location, and the help pages listed on the online application forms may not contain all of the pertinent data. In addition to discussing some of the most likely questions, we provided links to the relevant reference pages.

G. Instructional Videos Research: Upon finishing our research concerning the technical processes necessary to register and file taxes online, we determined that we would need to produce three videos: how to register a business online; how to file taxes online; and an explanation of the City's business taxes. We then conducted research on instructional videos to determine what elements constitute an effective video. After extensive research, we concluded that the following characteristics should be included in our instructional videos:

1) *Anticipate questions:* Even with our tutorial, users may be confused about stages of the business registering or filing process. To minimize confusion, users should be informed of any prerequisites immediately, and actions that may require more detailed explanations should be addressed. This will help avoid the user leaving the video to complete other actions or search for answers to common questions.

2) *Clear organization and progression:* A large amount of text should be avoided in order to prevent the image of clutter and disorganization. There should be logical transitions and

structure, with the user aware of their progress. The flow of the video should also proceed at a normal, relaxed pace.

3) *Interactive:* A human being who talks to the user and performs the actions is more engaging than videos without audio or those that only contain voiceovers.

4) *Minimize length:* We found a need to separate the videos based on the stages of the registering and filing processes to avoid losing the audience's attention span. We strived to make the videos short and easily digested; however, the denser material required more length than we had originally hoped to produce.

5) *Printable version:* A printable scene-by-scene transcription of the video will be useful for individuals who do not have audio capabilities on their computer or would like to read the video's transcript as they perform the actions. This may be especially beneficial for business owners who are uncomfortable with newer technology and may proceed at a slower pace. Closed-captioning is also an option.

6) *References:* The video's conclusion should include references that inform the user of the next steps in the process as well as where they can go for additional information or assistance.

7) *Step-by-step instructions:* Every step of the process should be shown in order to ensure the user has successfully completed the registration and/or filing process. Individuals may also feel more comfortable seeing an action while they perform the same step.

H. Video Production: The next step in our process was to develop scripts and story boards from our research. To create the tutorials, the group utilized a variety of readily available or free technologies, such as: PowerPoint, recording devices provided by Channel 64, and Screenr[4], a free recording technology that records the actions that appear on a computer monitor. To film scenes and adapt the technical information to the television screen, we relied on the expertise of Gere Cannon, a producer for Channel 64, Philadelphia's public access channel. Mr. Cannon's hard work and dedication were crucial to the successful production of the video tutorials. It should be noted that the outdated computer technology and software currently used by the City severely inhibited our ability to integrate different segments together and edit the videos in a timely fashion.

The videos are intended to be on the Department of Revenue's website, Channel 64, YouTube, and used in orientations and other training sessions for new business owners.

III. RECOMMENDATIONS

These videos were created to instruct business owners how to navigate the complicated processes of registering their business and filing their taxes online. In addition, we believe the implementation of the following recommendations would reduce the complexity of the current system and increase the number of businesses that electronically file their taxes.

[4] To view a demonstration of Screenr, visit: http://screenr.com/.

1) *Add additional payment methods that are low-cost or free*: The 2.49% "Convenience Fee" for those paying with credit cards is neither convenient nor appealing. By adding free electronic check or debit options, filing online may not be seen as a "penalty."

2) Advertise using existing resources: The benefits of electronic filing for businesses can either be added to existing paper tax forms or highlighted on websites where individuals print out their tax forms.

3) *Better utilize technology:* The production and editing of the videos was made more difficult due to outdated computer technology with insufficient capabilities for modern video production. Several computer crashes hindered the completion of our project on schedule. Replacing or upgrading existing computers and software will enhance Channel 64's capabilities.

4) *Coordinate with Philly311:* We contacted Philly311 as part of our research, and they were unaware that businesses can file their taxes online. It would also be helpful to inform the 311 Contact Center of reference materials as well as these tutorials.

5) *Create an integrated system:* These videos should be one part of an integrated system. This system should start with a centralized and well organized website, include consistent and complete messaging on forms and help resources, and clearly communicate the process.

6) *Expand browser capabilities:* Currently, Internet Explorer 5.0 or above must be used to register and file taxes. However, this does not take into account that approximately 40% of internet users utilize other browsers, such as Firefox, Chrome, or Safari[5].

7) *Implement an incentive scheme:* Businesses may be more inclined to file electronically if they receive an incentive to do so, whether it is in the form of a small one-time tax credit, or perhaps for new businesses a one-time reduction in the cost of the Business Privilege License. Further analysis is necessary to determine the cost associated with processing massive amounts of traditional returns versus the benefits and additional revenue that would result from a large increase in electronic filing. If there are significant long-term savings, an incentive scheme warrants exploration.

8) *Increase taxes payable online:* Currently, business owners can only pay four tax types online. As a result, many businesses will have to file both a paper and electronic return. It is cumbersome for businesses to file separately using both methods, and increasing the amount of taxes payable online will likely boost the appeal of electronic filing.

9) *Translate supporting materials:* All supporting documents and references, including the transcripts to these videos, should be translated into the most common foreign languages spoken throughout the City of Philadelphia.

[5] McNamara, P. (2010, August 9). Putting IEs Market Share in Perspective. Retrieved August 9, 2010, from Computerworld: http://www.computerworld.com/s/article/9180418/Putting_IE_s_market_share_gains_in_perspective

10) *Utilize interactive filing:* The online registration application currently recognizes answers provided by users and automatically selects some taxes that must be paid or prohibits certain fields from being completed based on the responses given. Expanding this feature to include additional questions would improve accuracy.

IV. CONCLUSION

Electronic filing offers tremendous benefits that can provide better service to customers and save both the City and taxpayers an incredible sum of money. However, several hurdles need to be overcome in order to increase usage of the online system. Many taxpayers perceive the tax system as an arcane world to be avoided at all costs, where only experts can be trusted to complete returns correctly. In addition, the transition from paper to online tax filing is a daunting challenge, especially for citizens who are not comfortable with newer technology. This challenge is further aggravated by the formidable obstacles presented by the current online system, including a maze of unnecessary links, ambiguous definitions, and tax forms hidden deep within websites.

The aim of these instructional videos is to provide business owners clear directions and mitigate their confusion throughout the necessary filing processes. The videos direct individuals through the steps of registering a business, filing business taxes online, and discerning between the different types of Philadelphia's business taxes. They also confront some of the most common problems users face throughout the course of paying their business taxes. It is our hope that providing more extensive and lucid explanations will result in an increase in the number of business tax returns filed electronically.

Video Tutorials for New & Small Businesses

2010 Mayor's Internship Program

City of Philadelphia

LIFE • LIBERTY • AND YOU™

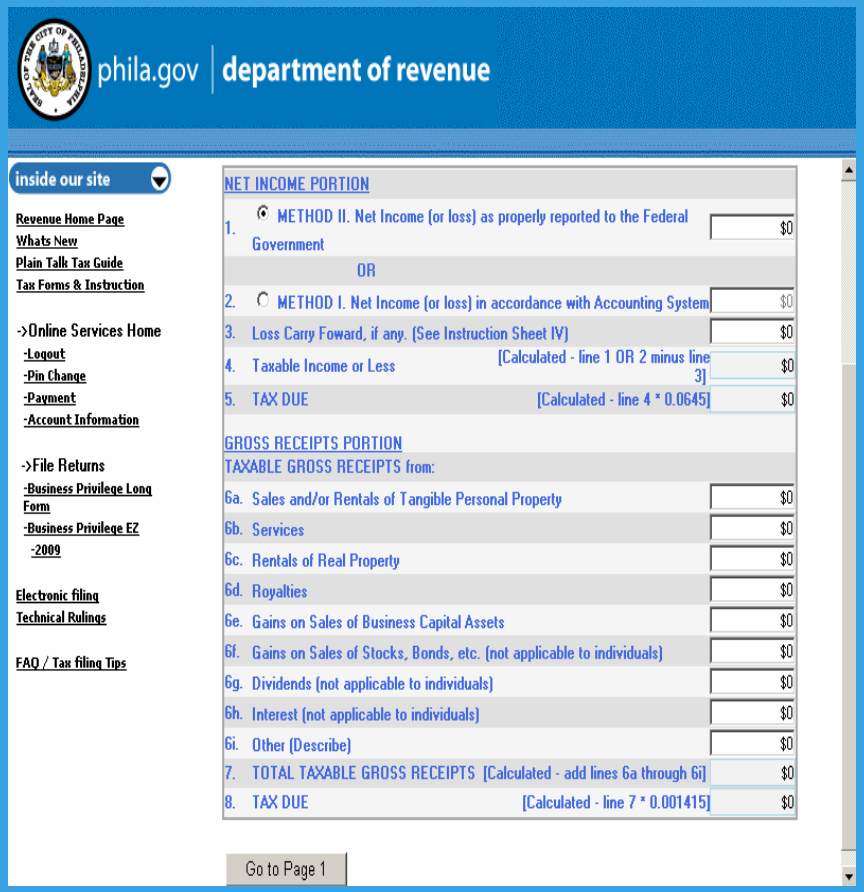
Early Findings

- Taxes are intimidating!
- Dept. of Revenue's website is confusing
- Online tax forms are difficult to find
- No clear definitions on tax types
- No step-by-step instructions
- Only 4 taxes can be paid online

Personal Goals

- Produce a tangible product that will be used by the City.
- Learn about Philadelphia's tax system
- Gain experience with video production

Value of Filing Online



- Benefits to City:
  - Efficient transactions
  - Reduces paper work
  - Increases revenue
- Benefits to Public:
  - Linked forms
  - Automatic entry
  - More convenient

Value of Our Product

- Clarifies step-by-step process
- Simplifies language
- Uses human interaction and screen shots to hold the viewer's attention
- Makes tax-filing process more user friendly

Methodology

- Research into best practices
- Split into Content and Technology groups
- Content group: registered for a tax ID account, drafted scripts and story boards.
  - Three Sub-committees
  - Special thanks to **Mike Moriarty** and **Eric Houston** for guiding us during the research process

Methodology Cont'd…

- Tech group:
  - Produced videos in connection with Channel 64
  - Special thanks to **Mayor Nutter** for filming the introduction to our video series.
  - Special thanks to **Gere Cannon** at Channel 64 for his unbelievable efforts in creating our videos.

The Final Product

- Three Videos:
  - Video 1: Registering your Business Online
  - Video 2: Filing your Business Privilege Tax Online
  - Video 3: Understanding Philadelphia Business Taxes

Delivery Methods

- Dept. of Revenue's website
- Channel 64
- YouTube
- Community Outreach Presentations

Recommendations

- Incentivize E-Filing
- Make all taxes payable online
- Offer free electronic payment methods
- Improve Browser Compatibility
- Translate materials
- Collaborate with 3-1-1
- Purchase a Mac and Final Cut Pro for Channel 64.

What We Learned

- Philadelphia Business Taxes
- Business registration process
- How to fill out BPT tax forms online
- Film and video production

Thank you!

2010 Mayor's Internship Program

City of Philadelphia

LIFE • LIBERTY • AND YOU™