



**State of Michigan**  
**Department of Information Technology**  
**Department of Treasury**  
**Department of Labor and Economic Growth**  
**Michigan Business Portal**

**2006 NASCIO Awards Recognition**

**Digital Government: Government to Business (G to B) nomination**



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## **Executive Summary**

The State of Michigan has undertaken an aggressive strategy that is aimed at positioning Michigan as an economic leader in the 21<sup>st</sup> century. The strategy involves several state departments, and, is articulated in Governor Granholm's cabinet action plan.

<http://www.michigan.gov/cabinetplan/>. Part of this multi-dimensional plan includes a continued effort to improve Michigan's business climate. Two explicit objectives in this plan are to significantly reduce the time needed to begin operating a business in Michigan, and simplify subsequent transactions with state government. To this end, Michigan offers a one-stop Business Services portal that allows new businesses to register for key tax identification numbers, online, in minutes, and, hastens by as much as six to ten weeks the time it takes to begin operating a business. This single registration process eliminates 6 distinct tax application forms.

<http://www.michigan.gov/uia/0,1607,7-118--89978--,00.html>. This electronic registration is complimented with a "self-service" web portal allowing business to create a user account giving them secure access to their very own, personalized business portal. <https://mi-mall.michigan.gov/UIAEmpWeb/logon.do> This business portal allows business to electronically interact with government, using the Internet to file quarterly tax reports pay taxes, and, update information about their business. This portal offers Michigan business a "paper-less" option for interacting with government by eliminating the need for any government assistance in reviewing or updating business transactions or reviewing historical data. This service is available to over 200,000 registered businesses in Michigan. Michigan has achieved our goal of reducing costs in dealing with government, so these resource savings can be re-invested in business.

Prior to the adoption of this technology, getting a business started was very time consuming, labor intensive, and error prone – both for business and government. To begin a business in Michigan, you must first apply for a tax identification number from the Department of Treasury (to pay business taxes). This application form is processed (key-entered), and then sent to the unemployment agency - you must also apply for an unemployment tax registration number (so Michigan can collect unemployment taxes). Two different taxes, administered by two different agencies, using one form that is hand carried between agencies for processing. Once you have received tax numbers and are ready to "do business in Michigan" every subsequent contact with Michigan, for the purposes of paying your business tax or your unemployment tax, or filing wage reports was done manually.

All of this has changed with the introduction of online business registration and, online account maintenance via our business portal. The benefits of our new service for both business and government are significant. Michigan processes over 20,000 new business registrations per year. Michigan receives quarterly tax forms and payments from over 200,000 existing businesses per year (for an annual volume in excess of 800,000). All of this can be done electronically, without State intervention. Our new business portal allows business to avoid paper filing by offering "cradle to grave" electronic interaction with government. This self-service technology has allowed Michigan to re-direct, initially, over 30,000 staff hours associated with manual processing and error correction to other, equally important economic development initiatives, and allowed business to likewise redirect resources towards their business mission.

Michigan developed these technology solutions internally, embracing open systems and open technology. All States share Michigan's vision of using technology to improve services to business, and, as such, this system can be transferred to other states, as needed and appropriate.

## A. Description of Project

### Business problem defined.

Michigan business had been hampered by a regulatory framework that made it difficult to understand what was required to operate a business in Michigan. Further, once the state received a business registration application, we didn't communicate how long it would take to process the application. This was further exasperated with a paper intensive process for interacting with State government – despite the availability of technology to streamline this interaction. Some of these problems were noted in a study by the Center for Automotive Research *“Michigan’s website, on the other hand, is a maze of permitting information without a clear explanation of the expected time necessary to complete each phase – suggesting a complex, uncertain process.”*<sup>1</sup>

### Business solution.

Michigan's initial approach to helping business navigate the many touch points and regulatory forms needed prior to engaging in business in Michigan began with the launch of our “business start-up” wizard in September 2002. This wizard “aggregates” several forms, representing three state agencies in an easy-to-use interactive application that helps business identify filing requirements, and, complete necessary forms.

<http://www.michigan.gov/businessstartup>.

This interactive tool allows a business to establish a profile, answer basic questions, and, the wizard will provide links to all necessary forms needed to create or purchase a business. The process, while aggregating information in one place, still requires a business to fill out a form (online) print and mail. The business start-up wizard averages 4,000 business registrations per year (this means 4,000 users create an account, and use portions of the application). Completed forms are printed and mailed to three State agencies. Michigan was a pioneering State in using interactive technology to assist business in completing and submitting forms.

Michigan has taken a tremendous step forward with the “maturation” of this fill and print service by offering a fill and electronically file capability. In 2004, Michigan began allowing businesses to register electronically to receive an unemployment tax identification number (one of the critical forms offered via the “wizard”) - every business must have this. This was a significant improvement as it reduced from 6 weeks to same day turnaround, and eliminated all staff intervention. Michigan uses “intelligent” form design to accept and validate user input. Common mistakes, such as incomplete entries are eliminated by the use of error messaging and instructions via “pop-up” field messaging. Registration forms received electronically are almost guaranteed to be error free. This is a vast improvement over the traditional 22% error rate experienced with forms submitted via paper. The adoption rate for this new channel was 10% in 2005, doubling to over 20% for the first quarter of 2006.

With the business wizard and electronic filing for an unemployment account number in place, Michigan began looking for additional improvements in government-to-business interaction. In 2005, a cross agency working group made two recommendations to this end.

### Recommendation one:

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<sup>1</sup> Smart Programming: Automotive renewal and the Michigan permitting process. Study prepared by the Center for Automotive Research, September 2003.

Create a business portal that allows business to create a web-based user account that allows for electronic filing and payment of taxes, and, maintenance of business entity information.

Outcome:

In 2005, our preliminary business portal was launched with the capability for business to electronically file their quarterly wage report. Thus far, over 19,000 businesses have created an “employee” account. The portal currently allows business to conduct transactions specific to unemployment insurance processing, including:

- File a Quarterly Wage Report
- Submit a file for Employer Filed Claims (for laid-off workers)
- File a Quarterly Tax Report
- Pay UIA Taxes
- Request/Receive Tax Statements
- File a Power of Attorney
- Update Account Information (name, address, phone)
- View Tax information

Customers create an account using their unemployment tax ID number. For security reasons, passwords are sent by postal mail to the employer’s business address. All users of the web portal must agree to an acceptable use policy as an added security measure.

Recommendation two:

Create a single electronic process that satisfies tax registration requirements for multiple agencies, spanning six specific tax registrations (unemployment, sales, withholding, tobacco, motor fuel, single business). This was an ambitious assignment, as, data collected and validated for one agency (Unemployment) would need to be validated concurrently for another agency (Treasury), and then written to back-end systems for processing. A single approval and notification process would be needed.

Outcome: To meet this requirement, Michigan decided to extend the utility of our unemployment tax registration application. The design of the system was purposely intended to allow for extension, by embracing a “hub and spoke” design. In this case, the “Hub” refers to a central data repository of collected data, and the “spoke” is the distribution of this data back to multiple agency systems. Michigan now offers a “one-stop” process for registering your business in Michigan. The application was launched in early 2006, and, we have seen encouraging adoption rates. Our initial measures indicate that over 20% of businesses registering for a tax id number from the Department of Treasury, are doing so electronically. Since they can also register for an unemployment tax ID at the same time, we have noted a two-fold increase in electronic registrations for unemployment ID numbers. Information about these services has been distributed via a press release from the Governor’s Office, and, with a telephone script when business users contact the Department of Treasury.

**B. Significance to Improvement of Government Operations**

Business registration – Staff time savings

Electronic filing for an unemployment tax ID and sales tax ID will save the State over 11,000 hours of labor spent on paper handling and error correction in 2006. These staff hours are being re-directed to customer service activities. Prior to the introduction of a web business registration, staff spent thousands of hours moving paper, and, contacting

applicants to fix basic form errors. Manual processing of 15,800 error-free paper registrations forms takes approximately 16,000 hours. Manual correction of forms in error (22% error rate) takes a minimum of 2 hours per 4,400 forms, or, 8,800 hours. These numbers are consistent for both registration forms (Unemployment and sales tax). The adoption of electronic filing will eliminate the following activities:

- Mailroom receipt and routing to business unit
- Form scanning and routing to data entry unit, (original form is batched and sent to warehouse)
- Data entry of form, and, flagging of errors. Incorrect forms are assigned to business analyst for resolution
  - Resolution can take several days. Phone contact, and / or/ return of document to applicant.
- Mailing of tax ID numbers back to the customer

#### On-going account maintenance – Staff savings

The adoption of our business portal for quarterly tax filing, tax payment, historical reporting and employer account maintenance will save the state over 18,000 staff hours in 2006.

On a daily basis employers will call, or mail in a request to receive a printout of unemployment taxes paid, and, unemployment benefits that were paid to former employees. Employers have the right to request this information as far back as seven years. Most of the historical data is stored on magnetic tape or microfiche. Locating and printing this data takes hours. The unemployment agency has no dedicated staff to perform this function. It is assigned to workers handling benefit claims. This labor-intensive process has been eliminated. All historical tax information has been scanned and loaded into database tables that every registered business can view online. When customers request this information, they are now referred to the business portal. The unemployment agency receives 4,700 of these requests on an annual basis. This has the potential to save 18,800 staff hours – it generally takes 4 hours per request.

#### Data and system sharing

Michigan's centralized approach for providing technology services was a key component in the development of this cross agency technology solution. Business analysts from two State agencies (Treasury and Unemployment) helped define common data fields that would satisfy data requirements for both agencies (and six tax registrations). The electronic capture and validation of this data is done "real-time" on the Internet and converted to an XML format. This information is then routed to the two state agencies using our message broker software for distribution to the agency systems. This same information that has been captured for registered users, is saved in a user profile. This profile serves to authenticate business when they "log-on" to use the business portal for subsequent transactions. Our intent is to "pre-populate" subsequent application or permitting forms with this profile information, so, the data is captured only once, and, shared among state agencies. Some of the likely transactions (forms) that newly registered business will likely need to complete will be Articles of Incorporation, or, Articles of Limited License Corporation. Our intention is to make this "downstream" registration process a feature of the business portal in late 2006. Our technical architecture allows for this integration, and, business will be thrilled about giving the state data only once. No new dollars will be spent for subsequent enhancement. We will continue to use existing staff and contract resources.

### **C. Benefits realized by service recipients - Businesses**

- Time saving - the cycle time for receiving any of the six tax identification numbers is reduced to under five days upon receipt of the electronic application. This will save **6 – 8 weeks** associated with receiving these ID's via paper.
- Increased business revenue in initial year. Business will gain 30 days to operate, given the reduction in the approval process.
- Convenience – The business registration system is available 24X7
- Penalty fee avoidance –. The six-week processing time to receive an unemployment ID prevents new business from making their first sales tax payment (pre e-registration) resulting in penalty and interest charges.
- Reduced points of contact. The employer portal allows business to supply information once to the state vs. multiple times. For example, the online power of attorney can be completed online, and allows business to authorize others to perform duties on their behalf. This designation is binding for two state agencies.
- Electronic filing and payment of quarterly unemployment taxes via the web portal includes automatic calculation of taxes due. This reduces the number of over or under payments of taxes, and, corresponding correction process.
- Instant notification - paper filing of registration application and wage reports doesn't include any notification of receipt by the state. Electronic submission results in e-mail notification of receipt - reduces phone call follow-up.

### **State Government**

- Ability to re-direct thousands of hours in staff savings to priority agency workload (tax assistance questions, employer / employee unemployment compensation dispute resolution, telephone verification)
- Elimination of 18,800 hours preparing and mailing benefits and credits report.
- Elimination of 11,520 hours to manually process business registration forms.
- Reduced document scanning – every electronic submission eliminates the state from scanning multi-page forms that employers submit.
- Cost savings – Michigan uses a third party to receive paper copy of wage report, and to process unemployment tax payments. This contract has been reduced as 20% of employers now send electronic reports and payment directly to the state via the business portal.
- Data sharing opportunity - Businesses that register to use the portal create an electronic record with key business information. This data (stored in XML format) is shared across systems, thus reducing data redundancy, storage costs, and development costs for web based intake screens.
- The technical architecture model allows for future process/workflow integration schemas.
- Increased tax revenue – accelerated business registration allows Michigan to begin collecting sales and use tax sooner.
- Increased adoption rate for electronic filing – The creation of a one stop registration for six key business taxes will likely entice Michigan's 200,000+ registered business to create a web account for subsequent filing commitments.

### **D. Return on Investment**

#### **Initial investment**

The tax registration system, and, business portal cost \$1.3 million to develop, and expand over an 18-month period. The up-front cost consisted of the purchase of hardware, software licenses (WebSphere ,Oracle, MQ Series), and, contractual programming services. On-going maintenance costs are \$335,000, paying for 24X7 hosting, back-up and restore, and, software maintenance and break / fix resolution.

Short-term payback.

Business savings - Our current adoption rate for online registration for business in 2006 is 20%. If this rate remains unchanged, approximately 4,400 businesses will apply online, each one of them opening their business 30 days sooner than paper filing – resulting in 120,000 additional aggregate days of economic activity in Michigan, and, generation of business revenue and tax revenue.

State Savings - Staff redeployment: – Using current 20% adoption rate for e-registration, Michigan will save 11,520 staff hours in processing business registrations. This translates into 5 full time employees that can be redeployed, rather than adding an additional \$375,000 in staff costs for 5 new resources.

Contract savings – Michigan has contracts in place for the data entry of quarterly wage reports, scanning of paper registrations, and, for the entry of quarterly unemployment tax payment forms, and processing of associated tax payments. These contracts are volume based, and, exceeded \$1.5 million in 2005. We will reduce these contracts by \$250,000 in 2006, based on current adoption rates.

Long-Term payback

Michigan’s goal is 40% electronic filing in 2007 (double the 2006 rate). This is based on a marketing campaign that includes website links from several public / private websites, press releases with business testimonial, and, expanded outreach. The chart below quantifies our current payback in 2006, and, 2007 estimates.

Indicator	Calculation (short term)	Short term (20%) 2006	Long term (40%) 2007
Increased economic activity. 4,000 new businesses will add 30 days to their year one business cycle	30 day gain via eRegistration X 4,000 new registrations = 120,000 additional days of business. Assume each day generates \$100 per business	\$12 million into Michigan economy	\$24 million into Michigan economy
e-Registration: State time savings = 2 hours per registration, and an additional 4 hours correcting forms submitted in error (approx 22% of all submissions)	20,000 annual applications X 20% adoption rate = 4,000 e-registrations X 2 hours = 8,000. Add 4 hours for resolving 880 forms in error = 3,520 hours	11,520 staff hours	23,040 staff hours
e-Registration: Staff cost avoidance. Had staff resources not been “freed-up” to pursue other work, the cost to hire additional staff may be incurred.	11,520 hours / 2080 (annual hrs of 1 staff) = 5.5 Fully weighted staff cost = \$75,000	\$375,000	\$750,000
Business portal – staff time savings for preparation of summary reports for business requesting 7-year history of benefit charges and credits	4,700 requests for report take 4 hours each to process (locate microfiche, tape, build and print report)	4,700 X 4 hrs = 18,800	37,600
Business portal - Staff cost avoidance.	18,800 hours / 2080 (annual hrs of 1 staff) = 9 @ \$75K	\$675,000	\$1,350,000
Contract savings for keypunch services used to enter wage information reports.	In 2005, 10% of reports were electronically submitted. Contract was reduced \$28,800.	\$57,600	\$115,200
Contract savings for scanning, report preparation and payment processing of quarterly unemployment tax payments	Volume based contract w/ Chase bank is \$1 million. Every electronic submission reduces contract obligation.	\$200,000	\$400,000