By Steve Scharf
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The Nebraska Department of Revenue wants you to pay your taxes: all of them.

This spring, the Nebraska Legislature enacted LB 642, authorizing the Department of Revenue to purchase data-mining software to analyze income tax income returns and identify people and corporations who aren't paying their taxes.

Data mining works by comparing lists of Nebraska corporate taxpayers with national lists of corporations. For individuals, Nebraska taxpayer records are compared to publicly available information, such as Department of Motor Vehicle records and lists of property owners.

Sen. Abbie Cornett of Omaha, chairwoman of the Legislature's Revenue Committee, made this her priority bill in an effort to increase revenue.

"Last summer the legislature was trying to find budget cuts or sources of revenue," she said. When she realized the state could raise revenue without raising taxes, Cornett said she knew the data-mining approach was a good idea.

Proponents of the law expect contracting with private companies for data mining to pay for itself with increased tax collections.

Doug Ewald, the Nebraska tax commissioner, said contracting out the creation of special software for revenue department tax employees is one reason why tax collections for individuals increased 57 percent in 2010 over 2009 returns.

While the new software has helped the department find those who aren't paying their taxes, Ewald said he is still trying to determine if purchasing data-mining services is a good idea for the state.

Six staff members are working to determine if the state should contract out data mining, develop its own software or choose an entirely different route. Ewald said the department's goal is to present a report to the governor by end of July.

Ewald and Cornett both said it was not possible to provide cost or revenue estimates for data mining, because each data-mining company would charge different rates and any final contract would be specifically tailored to the state of Nebraska. Numerous companies provide these services nationally in what is a growing industry Ewald said.

Despite a lack of specificity, both said the possible gain in revenues could be substantial. Ewald said the state should expect to see $10 to $20 in increased revenue for every dollar spent on contracting.

When asked his thoughts on contracting out services in light of recent employee cutbacks, Ewald said he would prefer his agency do most of its work in-house instead of contracting.

"Honestly, I would love to do this myself," he said. "Right now my gut is to ask the governor to let me do this. Let me take a shot at increasing revenue collection without contracting data mining, and if you don't like the results, we'll do something different," Ewald said.

Ewald expects the department to have come to a decision regarding data mining by the end of the summer.