

Budget Brief – Tax Administration Line Item

NUMBER EDR 08-01

SUMMARY

The Tax Commission collects revenue for the state of Utah and local governments. The Tax Administration Line Item accounts for over 90% of the Commission’s total budget. This line item includes ten programs, which are addressed below. All divisions are reviewed in greater detail in the Compendium of Budget Information for Economic Development and Revenue 2008.

Administration Division

The Tax Administration Division includes the Commissioner’s and Executive Director’s Offices. The base budget for the Administration Division is recommended at \$8,087,900.

Auditing

The Tax Auditing Division is responsible for auditing of all taxes collected by the Commission except for property taxes, which are audited in conjunction with the counties. The base budget for the Auditing Division is recommended at \$10,733,200.

Multi-State Tax Compact

The Multi-State Tax Commission is a group of state governments working together to help make state tax systems fair, effective, and efficient for interstate and international commerce. The base budget for the Multi-State Compact is recommended at \$221,200.

Technology Management

The Department of Technology Services now operates and maintains the Tax Commission’s 60 different automated systems. The Tax Commission is currently modernizing the state’s core tax systems. This is addressed in issue brief Tax 08-06. Other initiatives being pursued by the Tax Commission include the expanded use of on-line filing, scanning or image-lifting technology to electronically extract return information, and designing systems so that data warehousing of taxpayer information can be accomplished. The recommended base budget for the Technology Management program is \$10,020,500.

Tax Processing Division

The Tax Processing Division disseminates tax forms, instructions, and publications to citizens. It collects and records tax payments and taxpayer information, processes paper and electronic tax documents, and maintains

Figure 1: Tax Commission - Tax Administration - Budget History

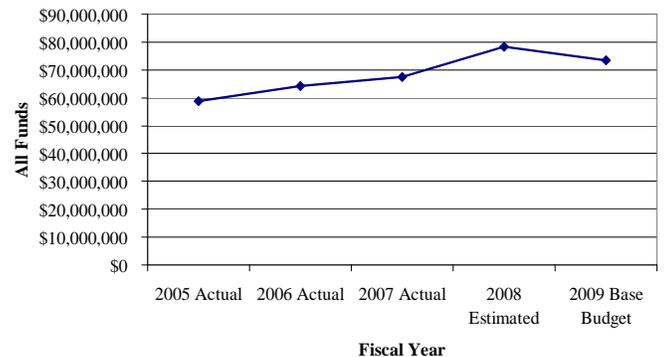


Figure 2: Tax Commission - Tax Administration - FTE History

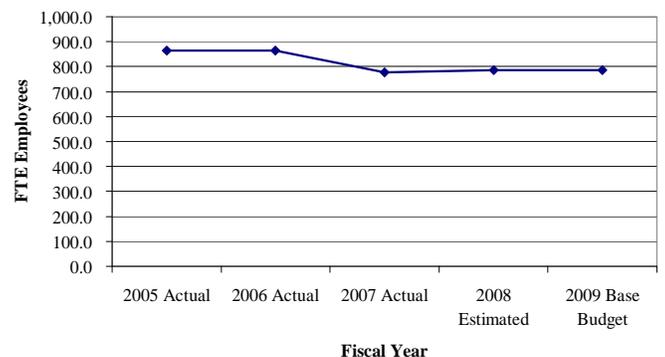
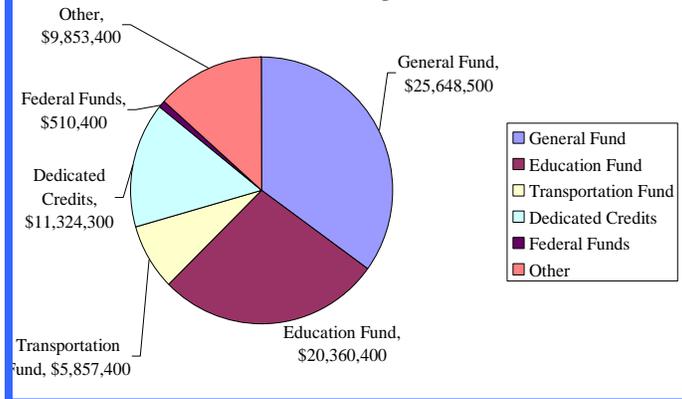


Figure 3: Tax Commission - Tax Administration - FY 2009 Funding Mix



archival records. A large portion of the Tax Processing Division's budget is postage and mailing. This is addressed in issue brief Tax 08-03. The recommended base budget for the Tax Processing Division is \$8,424,000.

Seasonal Employees

The Tax Commission uses a mix of General Fund, Uniform School Fund, and Sales and Use Tax Administrative Fees collections to fund about 16 full-time equivalent seasonal employee positions. The Processing Division utilizes these positions during periods of heavy workload. The recommended base budget for the Seasonal Employees program is \$384,000.

Taxpayer Services

Taxpayer Services promotes voluntary compliance with Utah tax statutes through outreach, education, customer service, and research programs. The Division is also responsible for the collection of delinquent payment from accounts that have failed to pay their tax liabilities. The recommended base budget for the Tax Payer Services program is \$9,928,300.

Property Tax Division

The Property Tax Division appraises and audits natural resource extraction and transportation related properties in the state, as well as properties that cross county or state lines, such as airlines, motor carriers, railroads, and utilities. In addition, the Division assists counties in personal property audits and local property tax administration. The recommended base budget for the Property Tax Division is \$4,854,700.

Motor Vehicles

The Division of Motor Vehicles administers statewide vehicle titling, registration, and related functions. It implements motor vehicle policies and procedures and helps maintain the State's motor vehicle computer system. The recommended base budget for the Motor Vehicle Division is \$17,856,500.

Motor Vehicle Enforcement Division

The Motor Vehicle Enforcement Division enforces state registration laws, protects Utah citizens from motor vehicle fraud and fosters a healthy motor vehicle sales environment. The recommended base budget for the Motor Vehicle Enforcement Division is \$3,044,100.

ISSUES AND RECOMMENDATIONS

Computer System Modernization

The Tax Commission is currently modernizing the computer systems used to track 5 of the major taxes in Utah – income, sales, corporate, withholding, fuels. Originally expected to cost \$30 million, it is now estimated to cost about \$28 million. Further information is available in issue brief Tax 08-06.

Postage Rate Increase

The Tax Commission sends over 5 million pieces of mail per year. The postage rate increase affects all divisions, with effects felt more in the Processing and Motor Vehicle Divisions. A more in depth analysis of postage trends is found in issue brief Tax 08-03.

Taxpayer Statements, Bulletins, & Information

When revenues decreased in 2003, funds for bulletins were eliminated. In addition, this request deals with statements that the Tax Commission sends to delinquent accounts, as well as income tax booklets production. Funds for this are used mainly in the Processing Division, and are addressed in issue brief Tax 08-04.

Tobacco Settlement

The Utah State Tax Commission and the Attorney General's Office are responsible for assuring compliance with the Tobacco Master Settlement Agreement (MSA). The Tax Commission plays an integral role in enforcing

Utah's cigarette and tobacco statutes. The Tax Commission is requesting one FTE to ensure that the State is doing its due diligence in the areas of reporting and compliance. This is addressed in issue brief Tax 08-01.

Streamlined Sales Tax

During the 2003 General Session the Legislature appropriated funds to cover ongoing administrative costs associated with Utah's attempt at complying with national SST standards. It is thought that Utah will not be in compliance for FY 2009. This is addressed in issue brief Tax 08-07.

Intent Language

Motor Vehicle Enforcement officers are currently authorized commute and personal use of vehicles used for law enforcement duties. The costs associated with this intent are incorporated into the fleet vehicle costs. The following intent language is recommended:

"It is the intent of the Legislature that Motor Vehicle Enforcement Officers be allowed commute and personal use of vehicles currently assigned to them for law enforcement duties for fiscal year 2009. This authorization will be provided by funds currently available for fleet vehicle costs and agency policies and procedures will outline the rules related to the use of these vehicles."

In an effort to upgrade systems and processes, the Tax Commission has requested non-lapsing authority for FY 2009. The Analyst recommends the following intent language:

"Base Budget Appropriations (2008 General Session), for Utah State Tax Commission, Tax Administration Line Item not lapse at the close of fiscal year 2009. The use of any non-lapsing funds is limited to costs directly related to the modernization of tax and motor vehicle systems and processes."

BUDGET DETAIL

The majority of funding for the Tax Administration line item comes from the General Fund and Uniform School Fund. Other important sources include dedicated credit and the Sales & Use Tax Administrative Fee. The budget is shown on the following page.

Tax Commission - Tax Administration						
Sources of Finance	FY 2007	FY 2008	Changes	FY 2008	Changes	FY 2009*
	Actual	Appropriated		Revised		Base Budget
General Fund	23,949,200	25,648,500	0	25,648,500	0	25,648,500
General Fund, One-time	(93,500)	95,700	0	95,700	(95,700)	0
Uniform School Fund	19,312,400	20,360,400	0	20,360,400	0	20,360,400
Uniform School Fund, One-time	(83,600)	5,000,000	0	5,000,000	(5,000,000)	0
Transportation Fund	5,857,400	5,857,400	0	5,857,400	0	5,857,400
Federal Funds	513,600	453,600	56,800	510,400	0	510,400
Dedicated Credits Revenue	9,579,300	10,392,200	575,400	10,967,600	356,700	11,324,300
GFR - Sales and Use Tax Admin Fees	7,944,000	8,374,700	0	8,374,700	0	8,374,700
TFR - Uninsured Motorist I.D.	133,800	133,800	0	133,800	0	133,800
Transfers	114,800	102,300	0	102,300	0	102,300
Beginning Nonlapsing	7,174,100	4,930,700	148,300	5,079,000	(1,242,600)	3,836,400
Closing Nonlapsing	(5,079,000)	(3,961,000)	124,600	(3,836,400)	1,242,600	(2,593,800)
Lapsing Balance	(1,841,300)	0	0	0	0	0
Total	\$67,481,200	\$77,388,300	\$905,100	\$78,293,400	(\$4,739,000)	\$73,554,400
Programs						
Administration Division	6,970,800	7,430,500	5,657,600	13,088,100	(5,000,200)	8,087,900
Auditing Division	9,705,100	10,820,600	(87,500)	10,733,100	100	10,733,200
Multi-State Tax Compact	214,400	205,700	15,500	221,200	0	221,200
Technology Management	9,755,500	15,200,900	(5,180,400)	10,020,500	0	10,020,500
Tax Processing Division	8,136,400	8,833,800	(409,800)	8,424,000	0	8,424,000
Seasonal Employees	314,900	375,200	8,800	384,000	0	384,000
Tax Payer Services	9,334,400	9,978,600	(50,300)	9,928,300	0	9,928,300
Property Tax Division	4,270,900	4,854,900	(200)	4,854,700	0	4,854,700
Motor Vehicles	16,016,500	16,764,600	755,900	17,520,500	336,000	17,856,500
Motor Vehicle Enforcement Division	2,762,300	2,923,500	195,500	3,119,000	(74,900)	3,044,100
Total	\$67,481,200	\$77,388,300	\$905,100	\$78,293,400	(\$4,739,000)	\$73,554,400
Categories of Expenditure						
Personal Services	42,981,000	47,262,500	(151,900)	47,110,600	0	47,110,600
In-State Travel	224,100	231,200	17,200	248,400	0	248,400
Out of State Travel	435,400	526,900	(15,000)	511,900	0	511,900
Current Expense	12,846,100	13,524,400	435,300	13,959,700	336,000	14,295,700
DP Current Expense	10,038,000	15,214,900	(4,996,300)	10,218,600	0	10,218,600
DP Capital Outlay	914,200	402,400	5,285,000	5,687,400	(5,075,000)	612,400
Capital Outlay	42,400	200,000	(100,000)	100,000	0	100,000
Other Charges/Pass Thru	0	26,000	(26,000)	0	0	0
Operating Transfers	0	0	456,800	456,800	0	456,800
Total	\$67,481,200	\$77,388,300	\$905,100	\$78,293,400	(\$4,739,000)	\$73,554,400
Other Data						
Budgeted FTE	758.3	781.5	4.9	787.5	0.0	787.5
Vehicles	73.0	63.0	10.0	63.0	0.0	63.0

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

LEGISLATIVE ACTION

The Analyst recommends the following action for the Tax Administration Line Item:

- Adopt a base budget of \$73,554,400