
Issue Brief – Tax Commission Budget Requests

NUMBER GAA-07-001

SUMMARY

This brief summarizes Analyst recommendations and agency requests for the 2007 General Session. The Analyst recommends adopting base budgets for the Administration, Liquor Profits Distribution, and License Plate Production line items and provides suggested actions should the Economic Development and Revenue Appropriations Subcommittee approve the Commission's requests.

ANALYST RECOMMENDATIONS

Adoption of Base Budgets

The Analyst has provided base budget recommendations for Tax Commission Line Items in Budget Briefs EDR-14-07 (*Administration Line Item*), EDR 15-07 (*Liquor Profit Distribution Line Item*), and EDR 16-07 (*License Plate Production Line Item*). In EDR 15-07, the Analyst recommends approving an increase in the appropriation from the Alcoholic Beverage Enforcement and Treatment Account to the Liquor Profit Distribution line item. If the Subcommittee wishes to accept these recommendations, the Analyst suggests the following actions:

1. Adopt a FY 2008 base budget totaling \$68,893,800 for the Administration line item.
2. Adopt a FY 2008 base budget totaling \$4,350,000 for the Liquor Profit Distribution line item.
3. Adopt a FY 2008 base budget totaling \$2,432,100 for the License Plates Production line item.
4. Approve an increase to the FY 2008 base budget for the Liquor Profit Distribution line item of \$634,800 General Fund Restricted, Alcoholic Beverage Enforcement and Treatment Account.

Outcome-based Performance Measures

The Analyst has recommended in Tax Commission budget briefs that the agency focus on developing accountability indicators that show outcomes rather than outputs. The Analyst also recommends that the Commission identify future goals for these indicators. If the Subcommittee would like to accept these recommendations, the Analyst suggests the following action:

1. Direct the Tax Commission to report at least one outcome-based performance measure and future target for each of its programs to the Fiscal Analyst by October, 2007 for inclusion in the Compendium of Budget Information.

License Plates Production Line Item Nonlapsing Balances

As addressed in Budget Brief EDR-16-07, the License Plate Production Line Item has carried an average nonlapsing balance of about \$2.7 million. Should the Subcommittee wish to accept the Analyst's recommendation provided in EDR-16-07, the Analyst suggests the following action:

1. Direct the Tax Commission to take action to decrease nonlapsing balances in the License Plate Production Line Item by decreasing fees or holding fees steady if the Commission's costs increase.

Electronic Payment Fee Account Balances

In Issue Brief GAA-08-002, *Electronic Transaction Fees*, the Analyst provides recommendations for addressing the costs of electronic transactions absent UCA 63-38a-105, *Electronic Revenue Collections*, which sunsets on July 1, 2007. Senator Niederhauser is sponsoring legislation (S.B. 181, *Fees to Cover Cost of Electronic Payments*) that allows the Tax Commission to essentially continue operating under the procedure in the sunseting statute. Should the subcommittee choose to follow the recommendations contained in GAA-08-002, the Analyst recommends the following action:

1. Approve the following intent language:

It is the intent of the Legislature that the Tax Commission may use the dedicated credits it collected under UCA 63-38a-105, before the repeal of UCA 63-38a-105, for the costs of electronic payment of taxes and fees administered by the commission during FY 2008.

AGENCY REQUESTS

Postage Rate Increases

The agency requests that the Legislature appropriate monies to cover the costs of increased postage rates, as addressed in Budget Brief EDR-14-07. If the Subcommittee wishes to approve this request, the Analyst suggests the following actions:

1. Prioritize one-time appropriations of \$63,300 General Fund and \$31,700 Uniform School Fund to the Administration line item to cover increased postage costs for inclusion in the Current Fiscal Year Supplemental Appropriations Act.
2. Prioritize ongoing appropriations of \$158,300 General Fund and \$79,200 Uniform School Fund to the Administration line item to cover increased postage costs beginning in Fiscal Year 2008.

Since the United States Postal Service has yet to confirm the additional 7.7 percent increase in rates expected for May of 2007, the Analyst recommends an alternative: provide one-time and ongoing appropriations to cover the costs of the 5.4 percent postage rate increase that took place last January and address the additional 7.7 percent increase, if it happens, during the 2008 General Session. Should the Subcommittee wish to approve this request, the Analyst suggests the following actions:

1. Prioritize one-time appropriations of \$63,300 General Fund and \$31,700 Uniform School Fund to the Administration line item to cover increased postage costs for inclusion in the Current Fiscal Year Supplemental Appropriations Act.
2. Prioritize ongoing appropriations of \$63,300 General Fund and \$31,700 Uniform School Fund to the Administration line item to cover increased postage costs beginning in Fiscal Year 2008.

Motor Vehicle Office Lease Increases

The agency requests that the Legislature appropriate monies for the South Jordan and Davis County motor vehicle offices. Budget Brief EDR-19-07, *Division of Motor Vehicles*, describes increased costs associated with these buildings. If the Subcommittee would like to approve this request, the Analyst suggests the following action:

1. Prioritize an ongoing appropriation of \$217,000 General Fund to the Administration line item, Motor Vehicles program for South Jordan Motor Vehicle Office increased lease costs.
2. Prioritize an ongoing appropriation of \$76,600 General Fund to the Administration line item, Motor Vehicles program for Davis County Motor Vehicle Office increased lease costs.

Tax System Modernization

The agency has requested a one-time General Fund or Uniform School Fund appropriation for tax system replacement. The Governor included a specific request of \$10 million Uniform School Fund for system modernization in his budget request. Further details are available in Budget Brief EDR-20-07, *Tax Technology Management*. If the Subcommittee wishes to approve the Governor's request, the Analyst suggests the following action:

1. Prioritize a one-time appropriation of \$10 million one-time to the Administration line item for tax system modernization.

As described in EDR-20-07, the Analyst recommends a one-time General Fund appropriation of \$5 million to the Administration line item for tax system modernization. Should the Subcommittee desire to go along with this recommendation, the Analyst suggests the following alternative action:

1. Prioritize a one-time appropriation of \$5 million General Fund to the Department of Technology Services for tax system modernization.

Nonlapsing Intent Language

The Tax Commission has requested non-lapsing authority for unexpended year-end balances at the end of FY 2008 for costs directly related to the modernization of tax and motor vehicle systems and processes and streamlined sales tax implementation.

Under Item 51 of Chapter 366 Laws of Utah 2006, the Tax Commission has the authority to carry forward unexpended funds at the end of FY 2007 for modernization of tax and motor vehicle systems and streamlined sales tax implementation. The Analyst recommends ***not granting the intent language below*** as requested by the Tax Commission since these funds will not lapse until the end of FY 2008 and therefore may be addressed during the 2008 General Session. See Issue Brief GAA-07-004, *Tax Commission Nonlapsing Balances*, for further details.

If the Subcommittee accepts the recommendation of the Analyst, the Analyst suggests the following course:

1. Take no action on non-lapsing intent language during the current General Session and address the Tax Commission's request for non-lapsing intent language for the end of FY 2008 during the 2008 General Session.

Should the Subcommittee accept the recommendation of the Tax Commission, the Analyst suggests the following action:

1. Adopt the following intent language:

Under Section 63-38-8 of the Utah Code the Legislature intends that any remaining amount of the \$68,893,800 provided by Item 72 of House Bill 1, State Agency and Higher Education Base Budget Appropriations (2007 General Session), for Utah State Tax Commission, Tax Administration Line Item not lapse at the close of fiscal year 2008. The use of any nonlapsing funds is limited to the following costs directly related to the modernization of tax and motor vehicle systems and processes, stream-lined sales tax implementation, and electronic transactions.

MVED Officer Vehicle Use

In addition to requesting nonlapsing intent language, the Tax Commission is requesting intent language that approves their current practice of allowing Motor Vehicle Enforcement Division Officers commute and personal use of vehicles assigned to them for law enforcement duties.

The Analyst ***strongly discourages the Subcommittee from approving intent language*** for MVED officer vehicle use. The Analyst believes that it is inappropriate for such intent language to be included in an appropriations act. Utah Administrative Code R27-3-5 provides allowance for personal use of state vehicles by law enforcement officers if agencies have received funding from the Legislature for such use. The Subcommittee may wish to go on record in the minutes approving personal vehicle use for MVED officers. If this is the case, the Analyst suggests the following actions:

1. Pass a motion that approves MVED Officers' commute and personal use of vehicles assigned to them for law enforcement duties paid for with funds currently available for fleet costs.
2. Direct the Tax Commission to provide the Subcommittee with rules related to the use of these vehicles during the 2007 Interim.