



UTAH STATE TAX COMMISSION

BUSINESS, ECONOMIC DEVELOPMENT AND LABOR APPROPRIATIONS SUBCOMMITTEE
STAFF: THOMAS YOUNG

BUDGET BRIEF

SUMMARY

The Tax Commission Administration line item comprises ten programs: Administration, Auditing, Multi-State Tax Compact, Technology Management, Processing, Seasonal Employees, Taxpayer Services, Property Tax Division, Motor Vehicles, and the Motor Vehicle Enforcement Division. The License Plate Production line item represents expenditures for materials and labor for State Prison license plate production operation. The Rural Health Care Facilities line item represents a General Fund earmark to rural hospitals. The liquor profit line item represents a portion of revenue generated by the beer tax that is distributed to local governments. Each of these divisions and line items are addressed in more detail in the Compendium on Budget Information (COBI), available at <http://le.utah.gov/lfa/reports/cobi2011/COBI2011.htm>.

ISSUES AND RECOMMENDATIONS

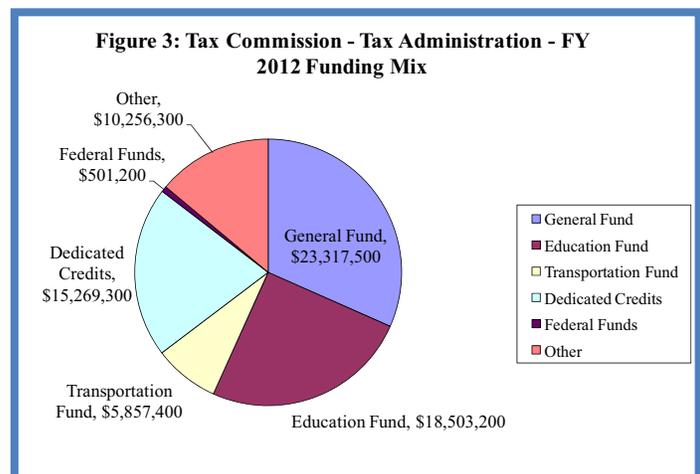
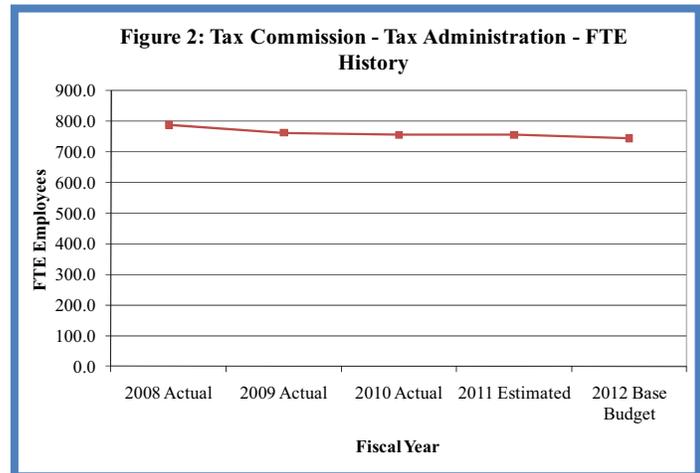
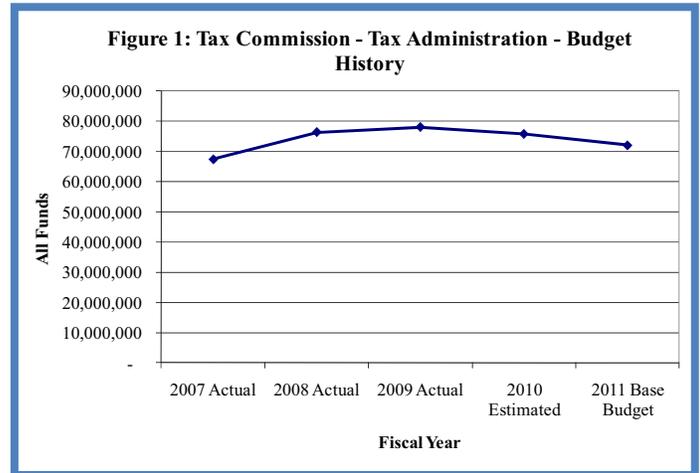
BASE BUDGET ADOPTION

The Subcommittee recommended a base budget of \$81,183,600, representing a 1.2% increase over the amount appropriated in FY 2011; the General/Education Fund base budget appropriation decreased by 3.6% from FY 2010 to FY 2011.

ADOPTION OF STATUTORY FEES AND NONLAPSING REQUEST

Electronic Payment Fee

House Bill 353 of the 2010 General Session removed statutory nonlapsing authority for the Electronic Payment Fee Dedicated Credit within the Motor Vehicle Division. Senate Bill 24 of 2011 General Session authorizes nonlapsing authority for this fee beginning in FY 2012. The Subcommittee will need to consider authorizing nonlapsing intent for FY 2011 to bridge the gap from FY 2011 to FY 2012.



License Plate Fee

House Bill 353 of the 2010 General Session removed statutory nonlapsing authority for the License Plate Fee within the Motor Vehicle Division. Senate Bill 24 of 2011 General Session authorizes nonlapsing authority for this fee beginning in FY 2012. The Subcommittee will need to consider authorizing nonlapsing intent for FY 2011 to bridge the gap from FY 2011 to FY 2012. Senate Bill 24 also takes the \$5 license plate fee out of statute and under the purview of the Subcommittee. Assuming SB 24 passes, the Subcommittee will need to place this fee in the Subcommittee fee schedule.

Nonlapsing – Tax Administration line item

The Tax Commission is in the process of updating its computer systems. The Commission is requesting nonlapsing in FY 2011 to cover expenditures for 22 miscellaneous taxes not yet finished. At the end of FY 2012, the Tax Commission will have \$1,595,700 in lapsing funds. The agency is considering options for replacement of their Motor Vehicle system. The Commission is also exploring options with regard to support for the Remittance Processor. The Subcommittee will want to consider whether to allow the Tax Commission to carry forward \$1,595,700 for the Motor Vehicle system and the Remittance Processor at the end of FY 2012.

ADOPTION OF STATUTORY BEER TAX EARMARK CHANGE

UCA 59-15-109(2) states that 40% of the Beer Excise Tax amount from 2 years prior shall be deposited into the Alcohol Beverage Enforcement & Treatment Restricted Account. Based upon FY 2010 totals, 40% of the Beer Tax amounts to \$5,338,900, requiring a reduction of \$258,300 from the FY 2011 appropriation.

REQUESTS FOR APPROPRIATION

The Commission is requesting funding and fee changes for a number of programs, each of which has its associated cost. The items include increasing the temporary motor vehicle permit fee from \$12 to \$15, increasing the MV Dealer Additional Place of Business license for motor vehicle dealers from \$26 to \$127, a request to cover the Federal Government’s postage rate increase, a federal administrative rule regarding a National Motor Vehicle Title Information System, and replacement of Tobacco Settlement funding.

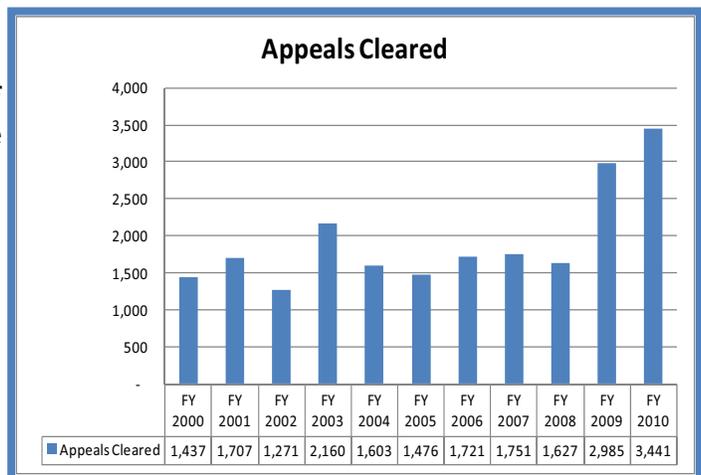
PERFORMANCE INDICATORS

Administration Division

Performance metrics: A main function of the Office of the Commission regards handling of tax appeals. The number of appeals cleared was 3,441 in FY 2010, an increase of 15.3% over FY 2009. The increase is due to property tax appeals dealing with valuation increases.

Auditing Division

Performance metrics: The Auditing Division has an audit plan for each tax type that is measured on an ongoing basis. The Division considers “Audit Satisfaction Rating” and “New Accounts from Discovery Activity” as indicative of the success of the



Division, as well as the number of income tax audits performed. The audit satisfaction rating increased by 0.2% in FY 2010 over FY 2009; new accounts discovered increased to 195 in FY 2010 from 167 in FY 2009; and the index for income tax audits performed increased from 90 in FY 2009 to 106 in FY 2010.

Processing

Performance metrics: 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 archival records. Although very fluid due to the timing of taxpayer returns and payments, the Processing Division considers the timely processing of returns as indicative of its success. As is shown, the date by which all timely filed returns are entered into the income tax system did not improve from FY 2009 to FY 2010. Also indicative of success is the date by which all checks are deposited in the bank, going from April 30th in FY 2003 to May 7th FY 2010.

Taxpayer Services

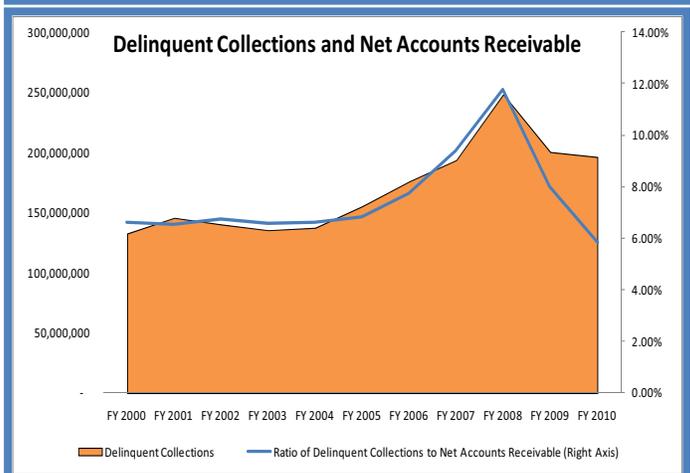
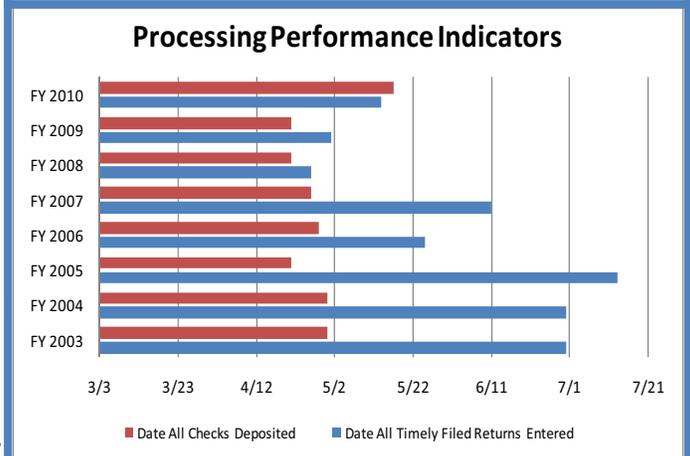
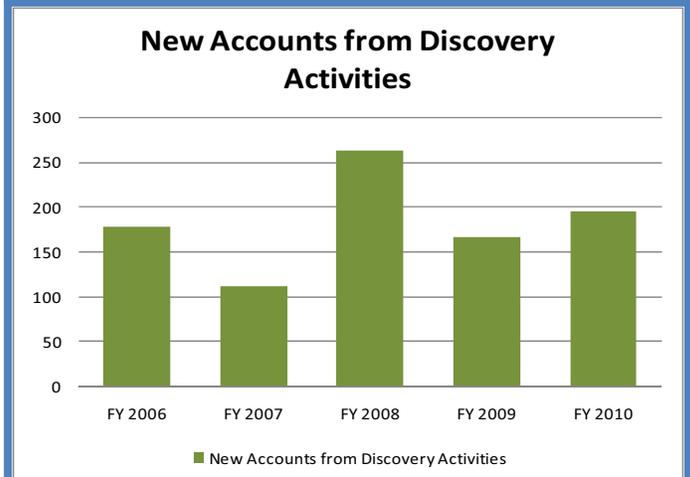
Performance metrics: Taxpayer Services is responsible for outreach and education programs, and working with taxpayers who are delinquent in their tax payments. The Division responds to written, phone, or in-person requests from taxpayers, garnishes Federal refunds, works with delinquent taxpayers to resolve outstanding balances through full payment or payment agreements, and out-sources debt collection of non-litigious accounts or other accounts that can be outsourced when not in violation of federal or state law. The Division considers costs of dollar collected and delinquent collections as indicative of its accountability. The drop in the ratio of delinquent collections to net accounts receivable is representative of the recession's impact on the taxpayers' ability to pay their taxes.

Property Tax

Performance metrics: The Property Tax Division appraises and audits natural resource extraction properties, transportation properties, and properties that cross county or state lines, such as airlines, motor carriers, railroads, and utilities. One measurement of

Income Tax Auditing Performance		
Fiscal year	Index of income tax audits performed	Index of hours auditors spent on performing income tax audits
2006	100	100
2007	79	98
2008	94	93
2009	90	85
2010	106	83

Note: FY 2006 is the base



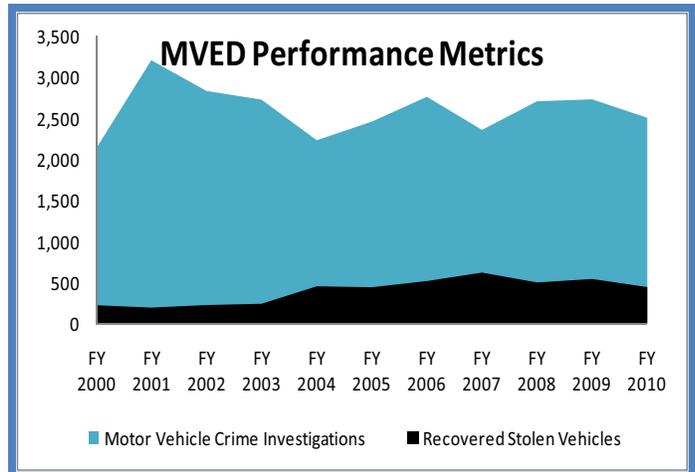
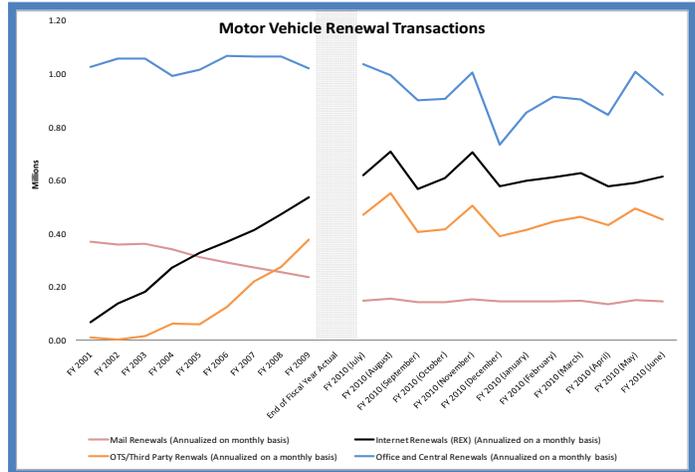
the Division's success is the number of personal property audits per auditor per year. As indicated in the table to the right, the number of personal property audits per auditor increased by 8.3% over the previous fiscal year.

Motor Vehicles

Performance metrics: The Division of Motor Vehicles (DMV) administers statewide vehicle title, registration, and related functions. The DMV considers as indicative of its success the percentage of renewals done through the internet and third parties as compared to mail and office renewals. As indicated in the table to the right, the percentage of total renewals done electronically has increased from 5.2% in FY 2001 to about 50% in FY 2010.

Motor Vehicle Enforcement Division

Performance metrics: The Motor Vehicle Enforcement Division monitors title, odometer, and motor vehicle dealer fraud investigations, regulatory licensing enforcement, VIN inspections, registration enforcement, and investigation of consumer complaints against licensed dealers, commercial auto theft, and salvage vehicle fraud. The Division tracks the number of crime investigations and recovered stolen vehicles as indicative of its success. As is shown, the number of crime investigations decreased from 2,725 in FY 2009 to 2,500 in FY 2010 and the number of recovered stolen vehicles decreased from 550 in FY 2009 to 451 in FY 2010.



BUDGET DETAIL

The majority of funding for the Tax Administration line item comes from the General Fund and Education Fund, comprising 57% of the FY 2012 base budget. Other important sources included dedicated credits, the Transportation Fund, and the Sales & Use Tax Administration Fee.

The liquor profit distribution line item is the beer tax earmark, transferred to the local governments. Because of the decline in beer tax sales, the earmark will be reduced in FY 2012 by \$258,300. The Subcommittee authorized a further reduction of \$30,000 beginning in FY 2012.

The Rural Health Facilities General Fund earmark represents a transfer to local rural hospitals. Because Uintah County did away with the sales tax in FY 2010, \$336,100 will lapse to the General Fund annually.

The License Plate Production line item covers the costs associated with the State Prison license plate production operation. During the 2010 General Session, the Subcommittee authorized \$258,000 of this fund to be used in the Motor Vehicle Division.

The Business, Economic Development, and Labor Appropriations Subcommittee adopted FY 2012 General and Education Fund budgets that eliminate the structural deficit. In making the budget adjustments, the Subcommittee recommended adjusting the Tax Commission ongoing base budget by 3.6%.

Tax Commission						
Sources of Finance	FY 2010	FY 2011		FY 2011		FY 2012*
	Actual	Appropriated	Changes	Revised	Changes	Base Budget
General Fund	24,452,000	24,049,200	0	24,049,200	(731,700)	23,317,500
General Fund, One-time	(896,000)	0	0	0	0	0
Uniform School Fund	19,806,200	0	0	0	0	0
Uniform School Fund, One-time	(797,000)	0	0	0	0	0
Education Fund	0	19,343,000	0	19,343,000	(839,800)	18,503,200
Transportation Fund	5,857,400	5,857,400	0	5,857,400	0	5,857,400
Federal Funds	490,200	587,200	(81,000)	506,200	(5,000)	501,200
Dedicated Credits Revenue	14,502,900	15,469,600	(153,900)	15,315,700	1,646,200	16,961,900
GFR - Alc Bev Enf & Treatment	5,622,600	5,597,200	0	5,597,200	(30,000)	5,567,200
GFR - Rural Health Care Facilities	555,000	555,000	0	555,000	0	555,000
GFR - Sales and Use Tax Admin Fees	9,106,000	8,590,900	600	8,591,500	(600)	8,590,900
GFR - Tobacco Settlement	76,800	76,800	(600)	76,200	600	76,800
TFR - Uninsured Motorist I.D.	133,800	133,800	0	133,800	0	133,800
Transfers	110,400	102,300	34,500	136,800	0	136,800
Beginning Nonlapsing	8,369,900	5,110,300	2,789,400	7,899,700	(4,986,000)	2,913,700
Closing Nonlapsing	(7,899,700)	(4,658,500)	1,744,800	(2,913,700)	1,318,000	(1,595,700)
Lapsing Balance	(676,400)	(591,800)	(2,211,600)	(2,803,400)	2,467,300	(336,100)
Total	\$78,814,100	\$80,222,400	\$2,122,200	\$82,344,600	(\$1,161,000)	\$81,183,600
Line Items						
Tax Administration	70,915,600	71,820,000	2,427,500	74,247,500	(542,600)	73,704,900
License Plates Production	1,804,900	2,250,200	30,800	2,281,000	(588,400)	1,692,600
Rural Health Care Facilities Distribut	471,000	555,000	(336,100)	218,900	0	218,900
Liquor Profit Distribution	5,622,600	5,597,200	0	5,597,200	(30,000)	5,567,200
Total	\$78,814,100	\$80,222,400	\$2,122,200	\$82,344,600	(\$1,161,000)	\$81,183,600
Categories of Expenditure						
Personnel Services	45,239,100	46,865,700	417,000	47,282,700	(859,800)	46,422,900
In-state Travel	156,200	246,000	(8,300)	237,700	(82,400)	155,300
Out-of-state Travel	293,500	412,500	(11,700)	400,800	(28,000)	372,800
Current Expense	15,314,500	16,346,600	1,271,000	17,617,600	(155,800)	17,461,800
DP Current Expense	9,316,000	10,099,500	(347,800)	9,751,700	(5,000)	9,746,700
DP Capital Outlay	2,401,200	99,900	1,138,100	1,238,000	0	1,238,000
Other Charges/Pass Thru	6,093,600	6,152,200	(336,100)	5,816,100	(30,000)	5,786,100
Total	\$78,814,100	\$80,222,400	\$2,122,200	\$82,344,600	(\$1,161,000)	\$81,183,600