



TAX ADMINISTRATION

BUSINESS, ECONOMIC DEVELOPMENT AND LABOR APPROPRIATIONS SUBCOMMITTEE
 STAFF: ZACKERY KING

BUDGET BRIEF

SUMMARY

The primary function of the State Tax Commission is collection of revenue for state and local governments and administering tax and motor vehicle laws. The Tax Commission handles revenue from about 40 taxes, surcharges, and fees; registers automobiles, and regulates the automobile dealer industry.

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
- Motor Vehicle Enforcement Division.

For more detail and discussion of these line items and programs, please refer to the Compendium of Budget Information at:

http://le.utah.gov/lfa/reports/cobi2013/agcy_120.htm

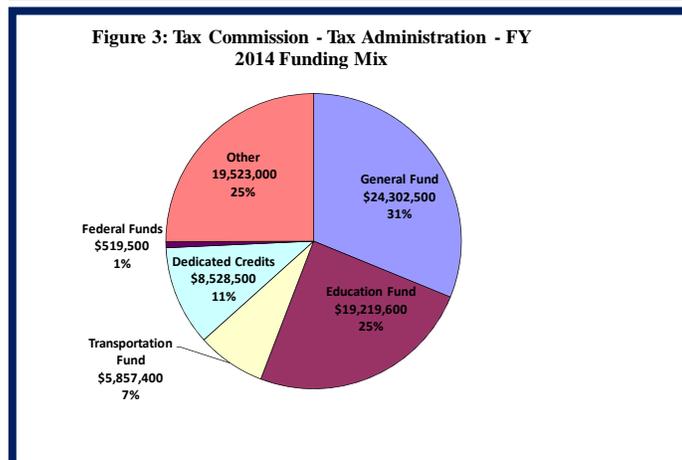
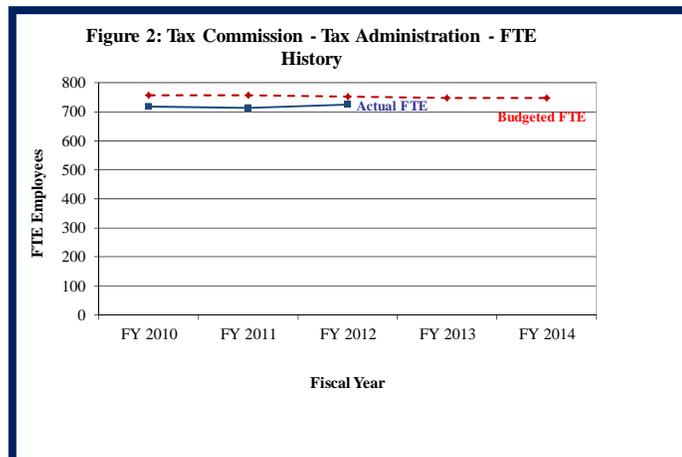
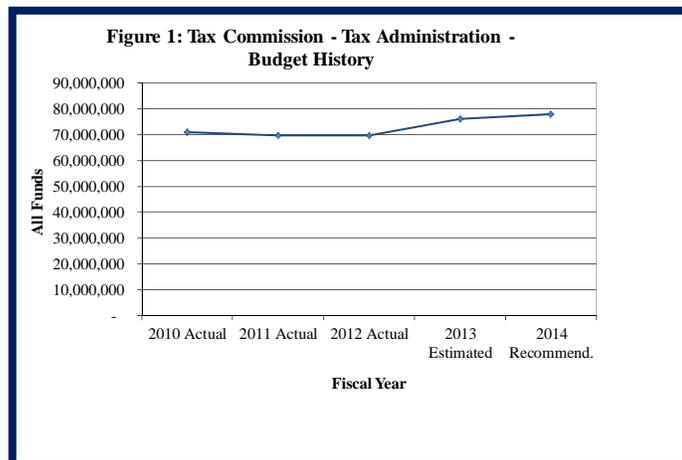
ISSUES AND RECOMMENDATIONS

Budget Adoption

For the Tax Administration line item, the Fiscal Analyst recommends a FY 2014 budget of \$77,951,400. This total includes a \$900 General Fund increase to the Motor Vehicle Enforcement Division (MVED). This increase is needed to correct a technical error from the 2012 General Session.

Programming Costs for 2011 General Session HBs 116, "Utah Immigration Accountability and Enforcement Amendments," & 469, "Immigration Related Amendments"

Pending availability of funds, the Fiscal Analyst recommends that the subcommittee forward to the Executive Appropriations Committee for further consideration, a one-time supplemental increase of \$1,014,900 from the General Fund to support programming costs of the reporting and collections systems necessitated by House Bills 116 and 469 from the 2011 General Session.



A complex set of circumstances surround the implementation of the computer systems at issue:

1. Both bills have an effective date of July 1, 2013. Approximately six months remain before the effective date for both bills. This does not allow adequate time to develop, test, and implement the systems.
2. Fiscal notes for both bills estimated a combined total cost of \$974,400 to develop, test, and implement the systems. These costs were not funded during the 2011 General Session which has resulted in the Tax Commission decision to postpone their development.

The Tax Commission has estimated an additional cost of \$40,500 to send out new instructions and forms to all employers in the state to inform them on the new reporting requirements for this new class of employee.

3. Related to number two, both systems, respectively, would require six months to develop, test, and implement. This process would be carried out by an estimated five programmers plus agency staff over the course of one year.

With an effective date for both bills approximately six months away and time requirements associated with the development, testing, and implementation of the computer systems, it is highly unlikely that the computer systems will be operational by the effective date. As a result, legislative action is needed to properly address these circumstances.

The Legislature has three main options to address this issue, they are:

1. **Fund.** If the will of the Legislature is to fund this building block request, the Tax Commission would begin the process of developing these computer systems. Notwithstanding, further legislative action would be necessary to push back the effective date for one or both bills to allow adequate time for implementation of the computer systems at issue.
2. **Do not fund.** If the will of the Legislature is not to fund this building block request, further legislative action would be necessary to change or eliminate the reporting and collection stipulations of HBs 116 and 469 requiring new computer systems.
3. **Status Quo.** If this is the will of the Legislature, both bills will take effect on July 1, 2013 without funding for their estimated costs. In effect, this creates an unfunded mandate.

Electronic Payment Fee Appropriation Adjustment

The Fiscal Analyst recommends the subcommittee forward to the Executive Appropriations Committee for further consideration, a one-time supplemental decrease in FY 2013, and beginning FY 2014, an ongoing decrease of \$1,126,600 from the Electronic Payment Fee Restricted Account.

This fee covers the cost of accepting electronic payments on motor vehicle transactions. Over 50% of the Motor Vehicle transactions are now paid online and/or using credit or debit cards. Beginning in FY 2012, the deposit of electronic payment fees was changed from a dedicated credit to a restricted fund that now requires an appropriation of funds to cover these costs. This adjustment is necessary to more closely approximate the appropriation needed for electronic payment costs. The previous year estimate was high, based on uncertainty of legislation creating this new fund, and on prior year growth that is now leveling off. A different appropriation amount may be necessary each year based on current use and cost estimates.

Intent Language

A report on intent language passed by the Legislature during the 2012 General Session for the Tax Commission is included in the issue brief titled *Tax Commission Follow-up on Previous Intent Language*.

The Fiscal Analyst recommends the following intent language to make the Tax Administration Line Item's FY 2013 unexpended appropriations nonlapsing at the end of FY 2013 (recommended by Governor):

Under Section 63J-1-603 of the Utah Code, the Legislature intends that appropriations provided to the Utah State Tax Commission in Item 16 Chapter 10 Laws of Utah 2012, not lapse at the close of Fiscal Year 2013. The use of any nonlapsing funds is limited to the costs directly related to the modernization of tax and motor vehicle systems and processes.

Conditional upon whether funding is provided for the new computer systems addressed above, the Fiscal Analyst recommends the following intent language to make these funds nonlapsing at the end of FY 2013:

It is the intent of the Legislature that any unexpended balances from appropriations provided in the 2013 General Session to implement the provisions of the 2011 General Session bills related to immigration (HB116 and HB469), not lapse at the close of FY 2013. These funds will be used to develop, test, and implement computer systems for reporting and collecting additional taxes created by the bills, and to distribute instructional material to state employers concerning the new tax requirements.

Federal Funds

UCA 63J-5-201 states, “the Legislative Fiscal Analyst shall submit a federal funds request summary for each agency... for review during each annual general session. Each legislative appropriations subcommittee shall review the federal funds request summary and may recommend that the agency accept the federal funds...or recommend that the agency not accept the federal funds...” A detailed listing of the Tax Commission’s request for federal funds authorization for FY 2013 and FY 2014 is found in the issue brief *Business, Economic Development and Labor: Federal Funds*.

Adoption of Fees

In accordance with UCA 63J-1-504 requiring the department to “submit its fee schedule . . . to the Legislature for its approval on an annual basis”, UCA 63J-1-504 also states, “the Legislature may approve, increase or decrease and approve, or reject any fee submitted to it by a fee agency.”

A detailed list of the Tax Commission’s proposed fee schedule is contained in the issue brief titled *Tax Commission: FY 2014 Fee Schedule*.

Governor’s Recommendations

The Governor has made the following recommendations for the Tax Commission:

FY 2014

1. Administrative Law Judge – Property Tax Appeals – \$125,000 ongoing Education Fund.
2. Liquor Profits Distribution to Local Governments – \$345,400 ongoing restricted funds.
3. South Valley DMV Improvements – \$70,000 (one-time) General Fund
4. Electronic Payment Fee Appropriation Adjustment – (\$1,126,600) ongoing restricted funds.

FY 2013

1. Electronic Payment Fee Appropriation Adjustment – (\$1,126,600) ongoing restricted funds.

BUDGET DETAIL TABLE

Tax Commission - Tax Administration						
Sources of Finance	FY 2012 Actual	FY 2013 Appropriated	Changes	FY 2013 Revised	Changes	FY 2014* Recommended
General Fund	23,688,800	24,302,500	0	24,302,500	900	24,303,400
General Fund, One-time	18,500	0	900	900	(900)	0
Education Fund	18,751,800	19,219,600	0	19,219,600	0	19,219,600
Transportation Fund	5,857,400	5,857,400	0	5,857,400	0	5,857,400
Federal Funds	505,400	532,500	(13,000)	519,500	0	519,500
Dedicated Credits Revenue	8,459,100	8,090,500	338,000	8,428,500	100,000	8,528,500
GFR - Electronic Payment Fee Restrict	6,886,300	6,886,300	0	6,886,300	0	6,886,300
GFR - Sales and Use Tax Admin Fees	0	5,300	(10,600)	(5,300)	5,300	0
GFR - Tax Commission Administrativ	8,945,500	9,150,900	10,600	9,161,500	(5,300)	9,156,200
GFR - Tobacco Settlement	18,500	18,500	0	18,500	0	18,500
Uninsured Motorist I.D.	133,800	133,800	0	133,800	0	133,800
Transfers	122,900	136,800	(15,000)	121,800	(121,800)	0
Transfers - Commission on Criminal	2,100	0	0	0	0	0
Transfers - Fed Pass-thru	0	0	15,000	15,000	121,800	136,800
Beginning Nonlapsing	6,662,300	5,856,500	2,363,800	8,220,300	(2,573,000)	5,647,300
Closing Nonlapsing	(8,220,300)	(3,550,700)	(2,096,600)	(5,647,300)	4,318,000	(1,329,300)
Lapsing Balance	(2,118,900)	0	(1,126,600)	(1,126,600)	0	(1,126,600)
Total	\$69,713,200	\$76,639,900	(\$533,500)	\$76,106,400	\$1,845,000	\$77,951,400
Programs						
Administration Division	8,124,900	10,556,300	(382,700)	10,173,600	1,745,000	11,918,600
Auditing Division	10,203,900	10,785,300	(129,800)	10,655,500	0	10,655,500
Multi-State Tax Compact	244,400	243,200	4,000	247,200	0	247,200
Technology Management	8,382,000	8,990,500	0	8,990,500	0	8,990,500
Tax Processing Division	6,728,900	7,563,600	(154,500)	7,409,100	0	7,409,100
Seasonal Employees	127,600	170,400	(25,000)	145,400	0	145,400
Tax Payer Services	9,497,900	10,037,100	51,200	10,088,300	0	10,088,300
Property Tax Division	4,403,600	4,596,000	84,100	4,680,100	0	4,680,100
Motor Vehicles	18,835,800	20,552,900	(287,700)	20,265,200	100,000	20,365,200
Motor Vehicle Enforcement Division	3,164,200	3,144,600	306,900	3,451,500	0	3,451,500
Total	\$69,713,200	\$76,639,900	(\$533,500)	\$76,106,400	\$1,845,000	\$77,951,400
Categories of Expenditure						
Personnel Services	44,664,600	47,511,900	502,700	48,014,600	150,000	48,164,600
In-state Travel	170,800	209,200	59,400	268,600	30,000	298,600
Out-of-state Travel	356,400	385,700	7,000	392,700	0	392,700
Current Expense	13,553,100	15,371,800	(377,100)	14,994,700	100,000	15,094,700
DP Current Expense	8,881,700	9,707,100	24,800	9,731,900	685,000	10,416,900
DP Capital Outlay	2,073,400	3,439,200	(750,300)	2,688,900	895,000	3,583,900
Capital Outlay	13,200	15,000	0	15,000	(15,000)	0
Total	\$69,713,200	\$76,639,900	(\$533,500)	\$76,106,400	\$1,845,000	\$77,951,400
Other Data						
Budgeted FTE	753	754	(6)	748	0	748
Actual FTE	713	0	0	0	0	0
Vehicles	69	65	4	69	0	69

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

SUMMARY OF RECOMMENDATIONS

The Analyst recommends the Legislature:

1. Approve a recommended FY 2014 budget of \$77,951,400 as shown in the budget detail table.
2. After review and adjustment, approve the intent language contained on page 3.
3. Pending availability of funds, approve a FY 2013 supplemental appropriation of \$1,014,900 from the General Fund to implement provisions of HBs 116 and 469, as discussed on pages 1 and 2.
4. Approve a FY 2013 supplemental decrease, and beginning FY 2014, an ongoing decrease of \$1,126,600 from the Electronic Payment Fee Restricted Account.
5. After review and adjustment, adopt the fee schedule in section two of the issue brief titled *Tax Commission: FY 2014 Fee Schedule*.
6. After review and adjustment, approve federal funds for the Tax Commission as shown in the issue brief titled *Business, Economic Development, and Labor: Federal Funds*.