

**Tax Department Testimony to  
Interim Government Services Committee  
August 6, 2014**

Good morning Chairman Sorvaag and members of the interim Government Services Committee. I am Joe Morrissette, Deputy Tax Commissioner. Thank you for the opportunity to testify before you today regarding the space needs of the Tax Department.

The Tax Department is an agency of 134 full-time employees, as well as up to 35 temporary employees, and up to 17 contract information technology employees. Temporary employees are hired as needed to handle temporary workload, such as processing a backlog of Canadian refunds or the processing of income tax returns during the peak of the filing season. Contract information technology employees are employees of FAST Enterprises, the vendor with which the Department contracts to provide ongoing support for the state's integrated tax administration software – GenTax.

The majority of our employees are housed on the 7<sup>th</sup>, 8<sup>th</sup>, and 16<sup>th</sup> floors of the Capitol tower. We occupy all of these three floors. We also utilize approximately 3,000 square feet in the lower level of the State Office Building. Fifteen employees are currently housed in field office locations in Fargo, Grand Forks, Minot, Dickinson, and Williston. Field office employees are sales tax auditors and collection officers.

Each floor in the Capitol tower consists of about 6,500 useable square feet. The Facility Management Division of the Office of Management and Budget has indicated that for planning purposes they recommend approximately 230 square feet of space per person, considering offices, as well as hallways, copier areas, and other areas. Using this figure, 28 to 29 persons per floor would be ideal. On the 16<sup>th</sup> floor, we are at approximately 165 percent of this standard, which results in extremely small workspaces. Although far above the ideal standard, we have made the most of the space available and are making it work for the number of existing staff.

Space in the State Office Building is fully utilized during the tax filing season. Due to the confidential nature of tax information, it is important for the Department to have secure office space separate from any other agency for the processing of returns. During the months surrounding the April 15<sup>th</sup> income tax filing deadline, the space is occupied by 5 regular staff and up to 30 temporary staff. The space is also used during other periods to house regular full-time IT staff as well as contract programming staff. A certain number of FAST employees, usually 3 to 4, are continually housed at the Tax Department to provide ongoing maintenance and support as part of the service agreement with FAST. Currently, 4 permanent IT staff and 17 FAST Enterprises employees are being housed in the State Office Building. The additional FAST employees are on-site to perform programming work related to the upcoming upgrade of the state's GenTax system. That number of staff will continue through the end of the year. The additional staff is provided at no cost to the state in addition to the regular contract agreement. However, the Department is required to provide workspace for the FAST employees. The State Office Building is being utilized to provide the needed office space. Using the Facility Management recommended standard, the 3,000 square feet in the State Office Building would comfortably accommodate 13 persons - we are currently using it to house 21 IT programmers.

The current breakdown of employees by floor and by office location is as follows:

<b>Location</b>	<b>Regular Full-Time Staff</b>	<b>Temporary Staff</b>
Capitol Tower Floor		
7 <sup>th</sup>	35	
8 <sup>th</sup>	32	
16 <sup>th</sup>	48	
State Office Building	4	17
Fargo	7	
Grand Forks	2	
Minot	3	
Dickinson	2	
Williston	1	

As the level of economic activity in the state has grown in recent years, so has the workload of the Department. The number of sales tax returns, income tax withholding returns, and individual income tax returns filed with the Department has increased over 30 percent in just the last 6 years, from 2007 to 2013. The number of nonresident or part-time resident individual income tax returns increased 176 percent. The number of producing oil and gas wells in North Dakota has increased from 3,868 to over 10,000; production information for each well is reported to the Tax Department monthly. It is very likely that the Department will be forced to request additional staff in the upcoming budget in order to continue to effectively administer the state's tax laws, while providing adequate taxpayer assistance, and processing returns in a timely manner. Since we are already far over recommended density levels for the currently available square feet, hiring any additional staff will likely require the Department to also ask for funding for offsite rent in the Bismarck area.

Providing a high standard of customer service is important to the Department and one area of concern I would like to highlight is the limited ability to provide confidential space for meetings between taxpayers and Department staff. In order to most efficiently utilize the limited office space available to the Department, work stations for most employees are modular office panels, not fixed walls. Although such work stations allow for the highest number of employees within the limited amount of space, they offer little privacy for taxpayers discussing confidential matters. If additional office space was available to the Department, it would be our goal to utilize some of it to accommodate this need for taxpayer privacy.

Mr. Chairman, committee members, the Department is making the most of the space available to it, but additional space would allow for more appropriately sized work areas, the development of private taxpayer conference rooms to better facilitate discussions of confidential matters, and the accommodation of additional personnel required to continue to effectively and efficiently administer the tax laws of North Dakota in a growing economy.

Thank you for the opportunity to discuss the Department's space needs. I would be happy to address any questions.