



BUDGET PRESENTATION

SENATE APPROPRIATIONS COMMITTEE

SENATOR RAY HOLMBERG, CHAIRMAN

AGENCY OVERVIEW

The mission of the Office of State Tax Commissioner is to fairly and effectively administer the tax laws of North Dakota and we strive to provide exceptional service while enhancing compliance with those laws.

As you know, the Office of State Tax Commissioner is the primary revenue collection agency for the state and our statutory authority can be found in NDCC 57-01, and administration of alcohol in 5-01, 5-02, 5-03. For the 2019-21 biennium, the agency will collect over 90 percent of all general fund revenue, excluding transfers. Total agency collections are expected to exceed \$8.2 billion. This includes over \$3.4 billion in oil tax revenues during the current biennium, based on the executive revenue forecast.

The Office of State Tax Commissioner collects and administers over 30 tax types, some of which are local taxes, administered on behalf of and allocated to political subdivisions, such as city and county sales, occupancy, and restaurant and lodging taxes. Some taxes, such as electric transmission line, coal severance, and telecommunications, are collected by the state in lieu of property taxes and are allocated back to counties to provide an important source of revenue for local governments. For each tax type, the agency provides education to help taxpayers understand their filing requirements, conducts discovery work to ensure compliance with the law, processes returns, analyzes data, and conducts audits to ensure that taxpayers are paying the correct amount. Information about the purpose and function of each of our divisions can be found in Appendix A.

The chart on the following page shows the various tax types administered by the agency and the amounts collected in fiscal years 2010 and 2020. In many cases, the growth is not merely in the dollars collected, but is a reflection of the increase in the number of filers and returns processed by the agency.

OFFICE OF STATE TAX COMMISSIONER
STATEMENT OF COLLECTIONS DATA
FISCAL YEARS 2010 AND 2020

Description	FY 2010 Net Collections	FY 2020 Net Collections	Change
Sales & Use Tax	\$603,732,481	\$1,067,910,278	\$464,177,797
Motor Vehicle Excise Tax	\$106,657	\$334,034	\$227,377
City Occupancy Tax	\$1,872,368	\$3,375,314	\$1,502,946
City Sales Tax	\$119,411,810	\$286,829,975	\$167,418,165
City Restaurant and Lodging Tax	\$4,289,399	\$8,276,123	\$3,986,724
City Motor Vehicle Rental Tax	\$110,557	\$137,862	\$27,305
Individual Income Tax	\$304,252,924	\$354,297,561	\$50,044,637
Corporate Income Tax	\$87,874,592	\$91,654,676	\$3,780,084
Financial Institutions Tax	\$10,451,319	-\$2,216	-\$10,453,535
Cigarette Tax (Cities)	\$1,353,442	\$1,316,509	-\$36,933
Cigarette Tax (Tribe)	\$64,693	\$87,035	\$22,342
Cigarette Tax (GF)	\$18,454,355	\$18,170,066	-\$284,289
Tobacco Tax	\$3,976,398	\$7,033,439	\$3,057,041
Oil & Gas Gross Production Tax	\$302,099,211	\$1,079,900,629	\$777,801,418
Oil Extraction Tax	\$280,611,437	\$958,579,683	\$677,968,246
Telecommunications Tax	\$11,252,316	\$7,241,593	-\$4,010,723
Wholesale Liquor/beer Tax	\$7,411,422	\$9,214,659	\$1,803,237
Estate Tax	\$9,174	\$0	-\$9,174
Miscellaneous Remittances	\$13,019	\$86,073	\$73,054
Coal Severance Tax	\$11,506,451	\$10,914,914	-\$591,537
Coal Conversion Tax	\$26,154,150	\$25,040,729	-\$1,113,421
Electric Generation Tax	\$442,604	\$21,018,518	\$20,575,914
Music and Composition Tax	\$155,923	\$123,322	-\$32,601
Sales & Use Tax Cash Bonds	\$51,050	\$131,071	\$80,021
Fuel Dealers & Inspection Fees	\$0	\$318,943	\$318,943
Motor Vehicle Fuel Tax	\$85,179,818	\$98,278,490	\$13,098,672
Special Fuel Tax	\$66,553,656	\$95,688,419	\$29,134,763
Motor Fuel Tax - Cash Bond	-\$2,000	\$3,900	\$5,900
Nongame Wildlife Fund	\$19,444	\$23,608	\$4,164
Centennial Tree Trust Fund	\$20,375	\$30,441	\$10,066
Organ Transplant Support Fund	\$11,950	\$22,348	\$10,398
Veteran's Postwar Trust	\$0	\$19,234	\$19,234
Airline Tax	\$202,399	\$252,011	\$49,612
Aircraft Excise Tax		\$4,310	\$4,310
Prepd Wireless Emerg 911 Fee	\$0	\$1,260,042	\$1,260,042
Provider Assessment	\$4,094,197	\$5,475,444	\$1,381,247
Total Collections	\$1,951,737,591	\$4,153,049,038	\$2,201,311,447

The economic growth of the state has resulted in a corresponding increase in the workload of the Office of State Tax Commissioner. Returns continue to remain at record levels in nearly all tax types. The following chart illustrates the growth in the Office of State Tax Commissioner’s workload since 2010:

	2010	2015	2020	2010-2020 Increase	Percent Change
Sales tax – original returns filed	154,984	200,107	245,905	90,921	59%
Individual income tax withholding - original returns filed	116,754	150,294	156,440	39,686	32%
Individual income tax - original returns filed	364,138	508,130	485,563	121,425	33%
Partnership and S Corp - original returns filed	26,239	41,196	44,643	18,404	70%
Corporate income tax - original returns filed by out of state corporations	5,534	7,766	8,207	2,673	48%
Canadian resident sales tax refund requests	20,994	18,682	4,429	-16,565	-79%

Fraudulent Claims/ID Theft – Identification of over 1,500 fraudulent claims, totaling over \$3.1 million since 2015.

For estimated changes for these collections, please refer to the December 2020 Revenue Forecast.

ACCOMPLISHMENTS

In addition to effectively and efficiently collecting revenue for the state, the Office of State Tax Commissioner has accomplished many important objectives during the past two years.

- Enhance GenTax & TAP - Customer Experience** – GenTax and TAP continue to be our most useful tools for tax administration and customer experience. Upgrades to GenTax incorporated new technology and processes, including staying up-to-date with fraud protections. TAP was redesigned to improve customer experience with an action center for users and a TAP Assistant to guide the user, making it an easy transition to use TAP from desktop, to tablet, to cell phone. The new year brings with it an AI assistant/chatbot for TAP to help users navigate questions they may have in the platform.

- Electronic W-2s** – This included administration of the e-filing requirement for W-2s/1099s for businesses with greater than 10 employees that passed in the 2017-2019 session. This process reduced errors and fraud, increased efficiencies and saved an estimated 350 hours of staff time.

W-2s FILED	2018 (filed in 2019)	2019 (filed in 2020)
E-FILED RETURN	613,843	723,582
PAPER RETURN	138,108	25,579
TOTAL RETURNS	751,951	749,161

- Encourage Compliance – Audits** – Continued work to ensure taxpayers were in compliance with tax laws by performing audits and compliance reviews. During the 2017-19 biennium, over 1,000 sales and corporate audits were conducted with assessments of over \$90.0 million.

- **IT Security - Partnerships** – Partnerships with the IRS, tax industry, and other stakeholders ensure that all confidential information is kept secure. During the last three-year IRS audit, we had no critical findings.
- **Remote & Marketplace Seller Taxation** – Invested time and technology changes to identify and register companies doing business in North Dakota that were impacted by the Supreme Court decision that overturned the physical presence requirements for sales tax collection and remittance. This has resulted in an additional \$99.3 million in total collections as of November 2020.
- **Tax Provider Enhancements** – Developed a web service that allows taxpayers to securely transmit data from their approved tax software with the click of a button. This created a seamless process for the taxpayer and eliminated the need to manage multiple accounts and manually upload files.
- **Moving Deadlines** – Moved the deadline for income tax returns to July 15, which impacted processes and programs were thoroughly reviewed and changes implemented to ensure that the system was appropriately using the correct due date, tax returns would continue to be processed timely, and that taxpayers were provided with the information and resources they needed to work with the new deadline.

CHALLENGES

Future challenges affecting the Office of State Tax Commissioner include:

Deficiencies Anticipated – Growth in the Homestead Tax Credit and Disabled Veteran’s Tax Credit programs, along with funding reductions in the past two biennia, has created deficiencies in these programs. More information on the deficiency and greater ask to fully fund these programs for the 2021-2023 biennium is included in the priorities section of this testimony.

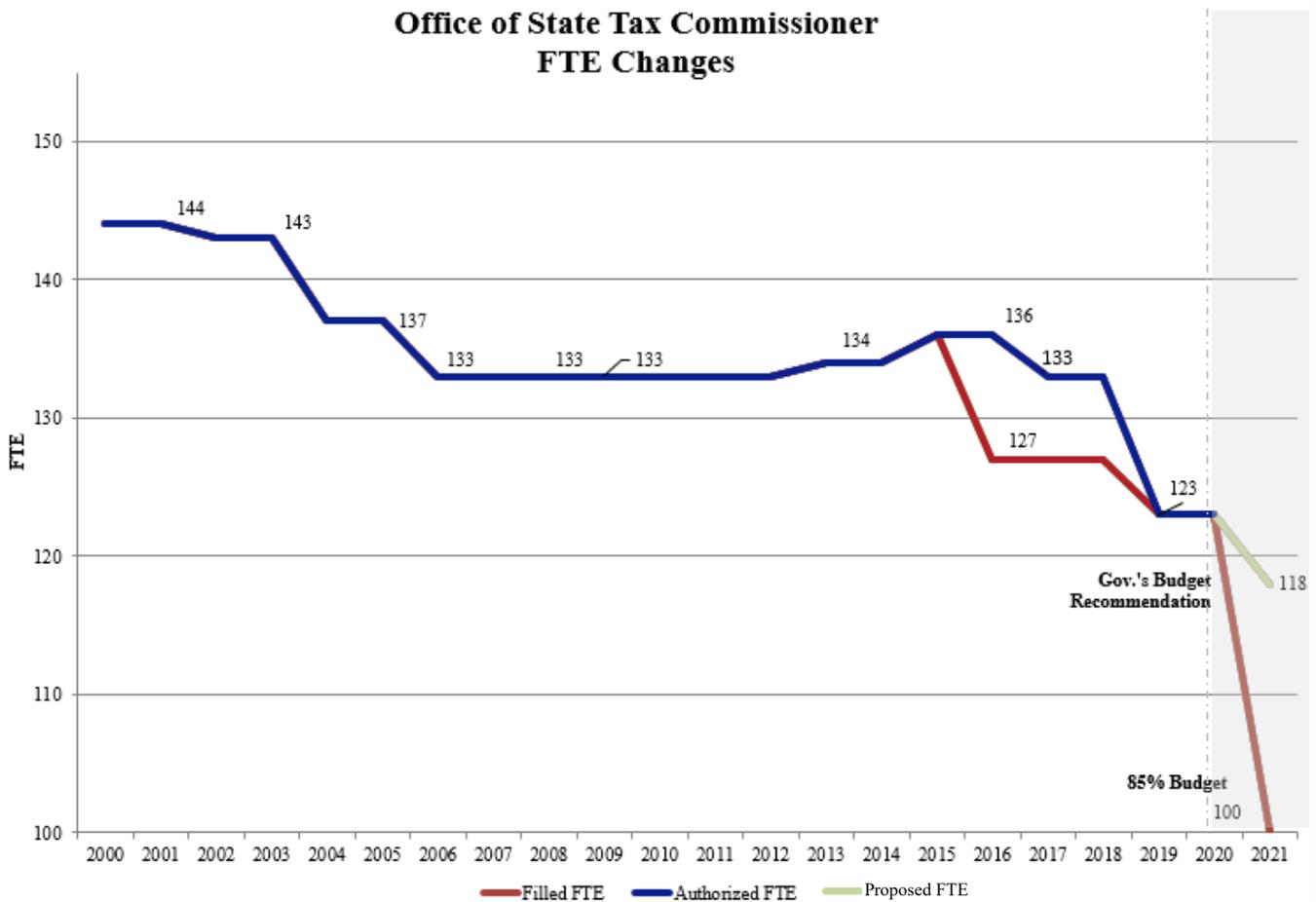
Litigation Funding – Ensuring funding to support anticipated litigation in the coming biennium is also critical. We have asked for \$600,000 to be included in the litigation pool included in the Attorney General’s budget. More information on this is also provided in the priorities section of this testimony.

Workload & FTE Balance - Over the past few years, the Agency has experienced growth in the number of original returns filed, amended returns filed, refunds issued, and the amount of outstanding taxpayer debt. The increase in the volume of filers has ongoing impacts in a variety of ways such as additional taxpayer assistance requests and return corrections, as well as increases in incoming phone calls, mailroom duties, audit and compliance tasks, and greater billing and collections work.

The current situation with the pandemic makes everyone aware of the uncertainty of tomorrow. The Agency has prioritized the completion of essential functions with reduced staffing but the opportunity to provide even greater service and to increase revenue for the State is critical for funding the ongoing State operations. As of January 2021, we have 13 unfilled positions.

The number of positions authorized for the agency has declined significantly over the past twenty years, from 144 in 2000 to 123 in the current biennium. Reduction in staff has been made possible through continued efforts to gain efficiencies. Key technological advancements have created more efficient processes that can be executed with less staff, such as an increasing percentage of electronically filed returns, the implementation of web-file solutions for businesses – Taxpayer Access Point (TAP), and the implementation of an integrated tax system known as GenTax.

However, continued growth of workload and continued staff reductions has put a strain on the agency’s ability to provide timely service. Tough decisions to prioritize and focus on critical tasks often limits other functions that should be done, many of which are in the best interest of the taxpayer and the state but are not required. The following chart shows a long-term history of the staffing level for the Office of State Tax Commissioner.



To provide you a better understanding of the structure of the Office of State Tax Commissioner and how the staff is spread throughout the agency by function, attached is an organizational chart with the number of positions in each section as Appendix A.

Service Delivery Continuity, Retention & Equity - To administer the tax laws of North Dakota fairly and effectively, Agency employees must have a thorough knowledge of many different tax types and many pertinent rules and regulations. It is important that salaries and benefit packages remain fully funded and competitive to retain high quality tax expertise. It is also important that funding for ongoing educational opportunities be available to broaden knowledge and create opportunities for succession planning.

The Office of State Tax Commissioner has a number of critical positions that have been adversely impacted by recent allotments and lack of salary increases due to revenue shortfalls over the past four biennia. These impacts have put a number of our positions, most specifically auditor and compliance positions (revenue producing), at a level that impedes our ability to retain and attract staff. Tax knowledge is a specialized skillset within these position types. Continued risk of losing staff to positions of a similar nature with higher salary lessens our ability to build and retain knowledge long-term, which is critical for Agency success. The Agency is at risk of becoming the "farm team" for other agencies, giving audit and compliance experience and then losing staff to higher salaries for similar work, a cycle which does not support knowledge growth.

Support for GenTax & TAP - Approximately 50 percent of the Agency operating budget is dedicated to IT contractual services for the integrated tax system (GenTax) and Taxpayer Access Point (TAP), which are the core of our customer service activities and return processing system. The complexity and depth of GenTax requires ongoing support from FAST Enterprises (FAST) to maintain GenTax and TAP and to ensure we stay current with new technology, tools, and security protocols. Improving processes using GenTax, and the introduction of new tax types into the system, continues to reduce labor intensive processes and increases our ability to identify taxpayers who have not complied with the state's tax laws. A fully supported system is critical to the Agency's successful efforts to stop tax refund fraud with only minimal impact on the customer.

Reducing the service with FAST Enterprises would be necessary for the Office of State Tax Commissioner to meet the 85% budget requirement but will result in greater funding needs in the future to accommodate upgrades and implementation costs to this software. Once a change in service levels is made, we will be removed from our grandfathered pricing structure and costs will adjust to market rates over the long-term, a substantial increase in cost to the State.

Safeguarding Data & Fraud Protection – It is critical to have adequate staff dedicated to developing new fraud detection programs, updating business rules necessary to combat the ever-changing fraudulent activities, and researching new ways to prevent identity theft and fraud for the taxpayers of North Dakota. Services provided by FAST (GenTax/TAP) are also a critical component of this effort as they provide security updates to help respond to the latest fraud attacks.

The Agency worked with other technology partners and developed a web service that allows taxpayers to securely transmit data from their approved tax software with the click of a button. This created a seamless process for the taxpayer and eliminated the need to manage multiple accounts and manually upload files. It is critical that adequate funding is provided to maintain and enhance this service to ensure the security of taxpayer information and to maintain taxpayer trust.

AGENCY OPERATIONS BUDGET 2019-21 BIENNIUM BASE BUDGET

Line Item	2019-21 Base Level Appropriation	2019-21 Appropriation Total	Percent of Total
Salaries & Wages	22,867,956	22,867,956	76.3%
Operating Expenses	7,112,460	7,112,460	23.7%
Capital Assets	6,000	6,000	0%
Total	29,986,416	29,986,416	100%

As an Agency that relies on staff to meet its statutory obligations and perform all of the work the legislature has directed, the budget consists primarily of salaries and wages. Approximately 76 percent of the current biennium operating budget is for salaries and wages. The appropriation for salaries and wages for the 2021 biennium was \$22.8 million.

The Office of State Tax Commissioner was authorized for 123 full-time equivalent positions for the 2019-21 biennium. Due to retirements of long-tenured employees, hiring delays related to the pandemic, and the extension of the 2020 tax season which impacted temporary employee hiring, budget savings in salaries were generated this biennium.

Continued reductions were made to travel, postage, printing, IT equipment, office furniture and equipment, and advertising. This means our staff have had less training; there has been less printing and mailing of forms, booklets, guidelines and statements; and less has been spent to promote programs such as the Homestead Tax Credit.

2019-21 ESTIMATED SPENDING

The Office of State Tax Commissioner has analyzed estimated expenditures and the following unspent amounts are anticipated. A detailed analysis is attached as Appendix B.

Line Item	2019-21 Base Level	Estimated 2019- 21 Expenditures	Variance
Salaries and Wages	22,867,956	21,617,956	1,250,000
Operating Expenses	7,112,460	7,012,460	100,000
Capital Assets	6,000	5,700	300
Total	29,986,416	28,587,653	1,350,300
Less Federal Funds	(125,000)	(48,463)	(105,138)
Total General Fund	29,861,416	28,587,653	1,245,162

2021-23 BIENNIUM 85% BUDGET AND GOVERNOR'S RECOMMENDED BUDGET

Line Item	2019-21 Base Level Amount	Base Budget Adjustments	2021-23 85% Budget Amount	85% Budget Adjustments	2021-23 Governor's Budget	Percent of Total
Salaries & Wages	22,867,956	(3,423,552)	19,444,404	3,019,179	22,463,583	73.4%
Operating Expenses	7,112,460	(1,055,661)	6,056,799	2,047,875	8,104,674	26.5%
Capital Assets	6,000	0	6,000	0	6,000	0%
Total	29,986,416	(4,479,213)	25,507,203	5,067,054	30,574,257	100%

The Agency had 123 full-time equivalent positions for the 2019-21 biennium. To meet the 85 percent budget limit for 2021-23, salary and wages would have to be unfunded with an estimated potential reduction down to 100 FTEs or below. The Office of State Tax Commissioner has hit the critical point where staffing needs and technology innovations are at a cross-roads. The work to reinvent and streamline processes has been occurring for two decades, and a dramatic reduction in staffing will have impacts to the timeliness and overall ROI of the agency. With this in mind, an optional request for the restoration of salaries was submitted, and the Governor's executive budget recommendation proposes reducing staff by an additional 5 FTEs, and unfunding an additional 2 FTEs, bringing total staffing to 118 FTEs, with funding for 116 FTEs. The Governor's recommended budget restores \$3.019 million to the salaries and wages line.

The 2021-23 base budget at 85 percent for operating expenses was \$6 million. The operating expenses line item includes a reduction in service on an ongoing contract with the provider of the state's integrated tax system, GenTax. This reduction of service limited the support available, as well as upgrades to the current system. An optional ask of \$1.35 million was submitted to restore service to its current level, which was included in the Governor's budget recommendation. GenTax support is the greatest portion of our operating expenses line at \$4 million. This period of budget reduction was again used as an opportunity to examine all aspects of operations and business processes to look for savings and efficiencies.

The following is a brief summary of the steps we have taken to meet the 85% budget request:

- Over \$3 million was "unfunded" from the salaries and wages line, a portion of this was restored in the Governor's budget.
- Reductions were made to travel, postage, printing, IT equipment, office furniture and equipment, and advertising.
- Reduction in contracted service with our software vendor for GenTax was necessary to meet requirements. The Governor's budget restored funding to keep service at current levels, a long-term saving to the state as a break in service limits maintenance and advancements and adjusts prices negotiated in the 2016 allotment, grandfathered with a 4% discount if no reduction in services occurs.

Governor Burgum authorized the following additions to the budget to determine the 2021-23 biennium budget:

- \$1.35 million for continued GenTax support at current level
- \$3 million for salaries for the restoration of 18 FTEs, which includes 2 unfunded FTEs
- \$59,321 for operating costs associated with the restoration of FTEs

FEDERAL FUNDING CHANGES

No changes in federal funding are expected for the 2021-23 biennium.

CARES – COVID-19 FUNDING

The Office of State Tax Commissioner requested \$81,601 in CARES funding from the Emergency Commission. Based on cost savings and other impacts, the agency spent approximately \$23,500 on software, equipment and supplies, and anticipates a turnback of \$53,000. These purchases were to support both customer and staff safety and provide equipment for greater telework opportunities. A detail of expenditures is provided below.

Line Item	Safety Items	Telework Items	Total
Software	0	17,939	17,939
Equipment	1,066	0	1,066
Supplies	2,576	1,880	4,456
Total	3,642	19,819	23,461

2021-23 BIENNIUM REQUESTED BUDGET

PRIORITY 1 – SERVICE DELIVERY CONTINUITY – SALARY & STAFFING

The Office of State Tax Commissioner is at a critical point where staffing needs and technological innovations are at a cross-road. Current staffing levels are needed to manage the processes, tasks, and outputs of tax administration in a timely manner. In addition, the agency has already absorbed increased workloads as a result of registration and collections from remote sellers.

The Office of State Tax Commissioner seeks to restore funding for positions that help ensure the timeliness of tax administration. The executive budget recommendation includes the restoration of \$3 million to provide funding for 16 positions and unfunds 2 positions for a total of 18.

The highest priority for the agency is to support staffing at current levels to assist in the discovery, compliance, and audit of businesses for sales tax compliance, as well as both corporate and individual income tax auditors, and needed staff to assist in the processes critical to the flow of tax administration. North Dakota is one of 45 states able to collect sales tax from remote sellers, which has increased state revenues by over \$50 million per year. In the long term, additional staff in this area also increase the number of audits and assessments that could potentially occur, ultimately increasing revenues for the state.

The Office of State Tax Commissioner requests \$2.7 million and related compensation and benefits to restore 18 positions, supporting a cut of 5 FTEs. (Governor’s budget cut 5 FTEs, and restored funding for 16 FTEs and unfunded 2 FTEs. This request is for full funding for all 118 FTEs.)

PRIORITY 2 – GEN TAX MAINTENANCE CONTRACT – SERVICE RESTORATION

The Office of State Tax Commissioner implemented GenTax in the 2005-07 biennium and has been grandfathered into the current pricing structure, which is below market rates. In 2017-19, the Agency negotiated a 4 percent discount on the GenTax (Level 3) contract to accommodate budget shortfalls. As part of the 85 percent budgets, a reduction in GenTax service was necessary to meet requirements, but potentially could result in a \$7-\$9 million increase over 10 years for support. The executive budget provides \$1.35 million to restore current service levels for GenTax in the coming biennium. Investment at this service level has allowed implementation of such services as the Taxpayer Access Point and others at no additional cost to the agency.

The Office of State Tax Commissioner requests \$1.35 million to continue GenTax service at the current level (same as Governor Burgum’s recommendation).

PRIORITY 3 – LITIGATION CONTINGENCY FUNDS & TRANSFER LINE

The Office of State Tax Commissioner has a number of potential cases currently that may result or are already in litigation. We asked for \$600,000 in litigation contingency funding to support these cases. The Governor’s budget recommends these funds become part of a contingency pool at the Attorney General’s office for potential litigation.

We ask that a special funding line be created to allow for the receipt of these funds in our budget. The Office of State Tax Commissioner is currently using the only line it had available for such transfers, its Multi-State Tax Commission line, however, to meet good accounting standards it is requested that a line to account specifically for litigation transfers be created.

The Office of State Tax Commissioner requests an amendment to HB1006 to create a special funding line for litigation expenses.

PRIORITY 4 – TREASURY OFFSET PROGRAM

The Office of State Tax Commissioner has participated in the Treasury Offset Program, a centralized program that collects delinquent debts owed to other federal agencies and states. During the 2019-2021 biennium budget, dollars that support this program were cut. The agency is requesting \$45,000 to fully participate which covers the cost of certified letters which are a requirement of the program. Non-participation in this program costs the state potential general fund dollars, so there is a return on investment. Participation has historically provided about \$500,000 per biennium, about a 10-to-1 investment for the program cost requested of \$45,000. Continued non-participation – failure to submit new debt in this program – will result in declining revenues.

The Office of State Tax Commissioner requests \$45,000 be included in full participation in the Treasury Offset Program (same as Governor Burgum’s recommendation).

GRANT PROGRAMS BUDGET – HOMESTEAD TAX CREDIT AND DISABLED VETERAN’S CREDIT

2019-21 BIENNIUM BASE LEVEL BUDGET AND 2021-23 BIENNIUM GOVERNOR’S RECOMMENDED BUDGET

The Homestead Tax Credit program provides property tax relief for qualifying low-income persons who are 65 years of age or older or who are disabled. The credit is up to 100 percent of the taxes levied on the first \$125,000 of true and full value, for applicants with annual income below \$22,000. A reduced level of credit is available to applicants with annual income up to \$42,000.

The original appropriation for this line for the 2019-21 biennium was \$15.8 million. Expenditures during the first year of the biennium totaled slightly more than \$8.4 million. Although fiscal year 2021 expenditures will not be known until close to the end of the biennium, it is estimated that the remaining appropriation will not be sufficient to cover projected expenditures. The best estimate at this time is for 2019-21 biennium expenditures to total approximately \$17 million, \$1,206,799 more than the appropriation. No statutory authority exists for the appropriation to be prorated.

The Disabled Veteran’s Credit program provides property tax relief for disabled veterans with a service-connected disability of 50 percent or greater. The credit is up to 100 percent of the taxes levied on the first \$150,000 of true and full value. The percentage of credit allowed is equal to the percentage of the disabled veteran’s disability compensation rating.

The original appropriation for this line for the 2019-21 biennium was \$8.4 million. Expenditures during the first year of the biennium totaled just over \$5 million. Our best estimate for 2019-21 biennium expenditures is approximately \$11 million, \$2,628,556 more than the appropriation. No statutory authority exists for the appropriation to be prorated. After the credit is granted by counties to eligible taxpayers, the county receives reimbursement from the state.

Deficiency funding requests for both the Homestead Tax Credit (\$1,206,799) and Disabled Veteran’s Credit (\$2,628,556) programs are included in HB 1025.

For the required 85 percent budget, the Office of State Tax Commissioner requests \$18 million for the Homestead Tax Credit program and \$14 million for the Disabled Veteran’s Credit program (same as Governor Burgum’s recommendation).

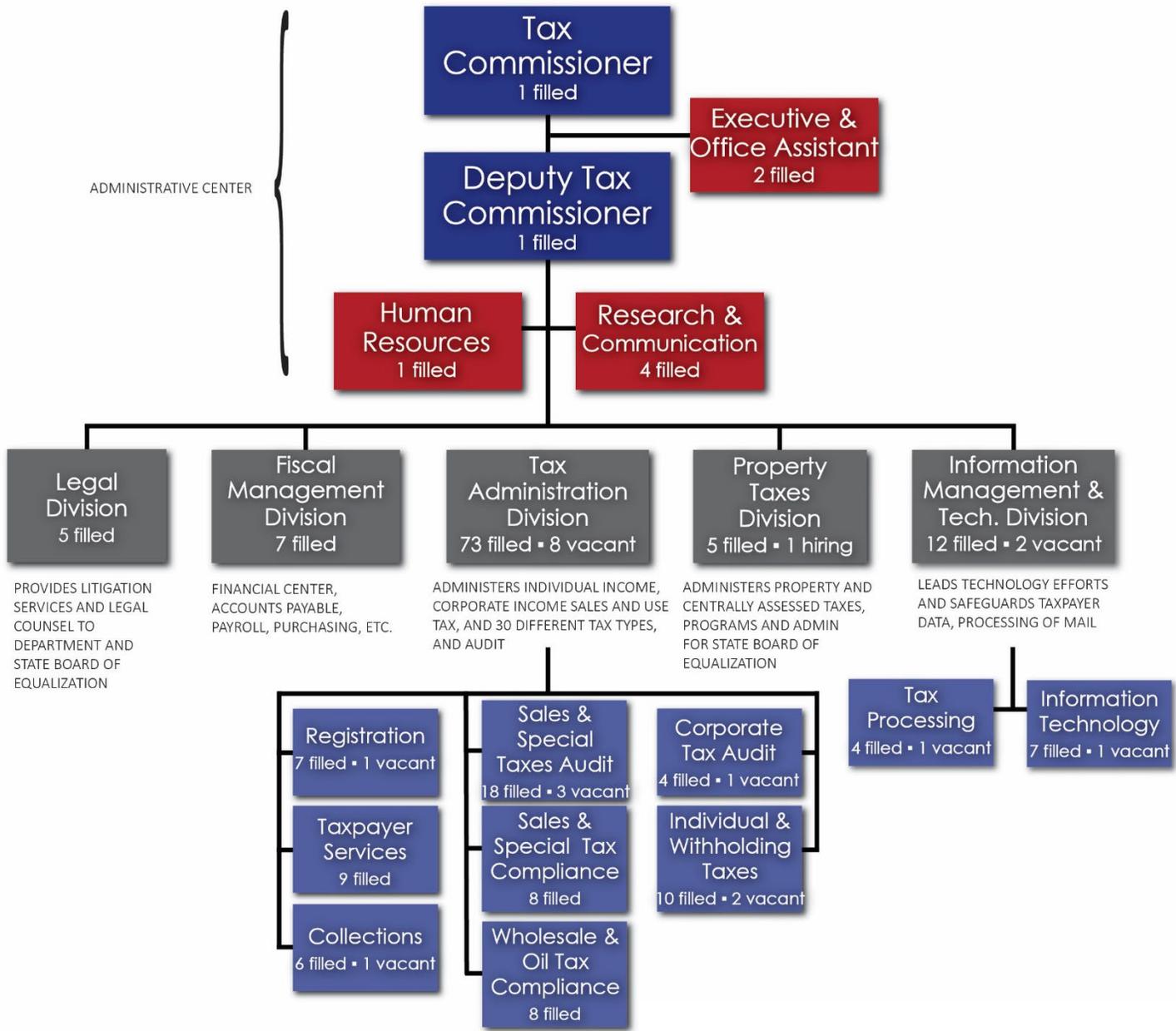
AUDIT FINDINGS

The operational audit for the Office of State Tax Commissioner conducted by the State Auditor's Office during the 2019-2021 interim identified no significant audit findings.

ATTACHMENTS

- Appendix A – Organizational chart with filled/vacant positions shown by section.
- Appendix B – Estimated 2019-21 expenditures.
- Appendix C – Analysis of budget reductions proposed to meet 90% budget requirements.
- Appendix D – Comparison of optional budget asks and adjustments recommended by Governor Burgum.
- Appendix E – Equity vs. Retention Comparison.

OFFICE OF STATE TAX COMMISSIONER
 APPENDIX A - ORGANIZATIONAL CHART
 AS OF JANUARY 11, 2021 – 123 FUNDED FTES



OFFICE OF STATE TAX COMMISSIONER
APPENDIX B - ESTIMATED 2019-2021 EXPENDITURES

Line Item/ \$ Object Description	Appropriation 2019 - 2021	Estimated Expenses		Governor's Recommended 2021 - 2023	Inc/(Decr) Recommended over 19-21 Appropriation	
		2019 - 2021	2021			Variance
Salaries & Wages	22,867,956	21,617,956	1,250,000	(1)	22,463,583	(404,373) (3)
Operating Expenses	7,112,460	7,012,460	100,000	(2)	8,104,674	992,214 (4)
Capital Assets	6,000	5,700	300		6,000	0
Subtotal	29,986,416	28,686,116	1,350,300		30,574,257	(587,841)
% of Change						2%
Homestead Tax Credit (General Fund)	15,800,000	17,110,000	(1,310,000)	(7)	18,000,000	2,200,000 (5)
Disabled Veterans Credit (General Fund)	8,410,200	11,140,200	(2,730,000)	(7)	14,000,000	5,589,800 (6)
Total for Agency	\$54,196,616	\$56,886,316	\$(2,689,700)		62,574,257	8,377,641
# FTE	123				118	(5)
Total General Fund	54,043,015	56,861,316	(2,818,301)		62,449,257	8,406,242
Total Special Fund	0	0	0		0	0
Total Federal Fund	153,601	48,463	105,138		125,000	(28,601) (8)
Total Funding Source	\$54,196,616	\$56,909,779	(2,713,163)		\$62,574,257	\$8,377,641
% of Change						15.5%

- 1 The projected underrun in Salaries is due to savings from vacancies and filling positions less than budgeted. As of 4/5/2021 the agency had 16 vacancies.
- 2 The projected under-run in Operating Expenses is from unused federal grant funds (\$100,000).
- 3 The decrease in the 2021-2023 Salary line includes the removal of funding for 5 FTEs, and underfunds 2 FTEs, the cost to fully fund 116 of the remaining 118 positions, and the proposed salary compensation package recommended by the Governor.
- 4 The increase includes fully funding the contract for GenTax support services, increase in Microsoft Office 365 support services, and funding the TOP Program.
- 5 An additional \$2.2 million is included in the Governor's recommended budget to fund this program based on current program eligibility requirements.
- 6 An additional \$5,589,800 is included in the Governor's recommended budget to fund this program based on current program eligibility requirements.
- 7 Deficiency appropriation requests to cover excess expected expenditures are included in HB1025.
- 8 Includes the Motor Fuels grant of \$125,000 plus the CARES Act federal grant provided at \$81,601 less turnback of \$53,000 or net of \$28,601. Expenditures for Motor Fuels is \$25,000 and CARES expenses is \$23,463

OFFICE OF STATE TAX COMMISSIONER

APPENDIX C - ANALYSIS OF RECOMMENDED BUDGET –
2019-21 BIENNIUM

	A	B	C	D	E	F
	LINE ITEM / OBJECT DESCRIPTION	2019-2021 ORIGINAL APPROPRIATION	AGENCY ADJUSTMENTS FOR 85% LEVEL REQUEST	ADJUSTMENTS BY OMB	TOTAL ADJUSTMENTS OR ENHANCEMENTS	2021-2023 RECOMMEND BUDGET
1	TOTAL SALARIES AND WAGES	22,867,956	(3,423,552)	3,019,179	(404,373)	22,463,583
	FTE Employees	123	0	(5)	(5)	118
	OPERATING EXPENSES					
2	Travel	275,850	(30,000)	0	(30,000)	245,850
3	Supplies - IT Software	176,128	(18,800)	0	(18,800)	157,328
4	Supply/Material-Professional	101,281	3,719	0	3,719	105,000
5	Bldg. Ground, Maintenance	0	0	0	0	0
6	Miscellaneous Supplies	20,000	0	0	0	20,000
7	Office supplies	65,892	(5,892)	0	(5,892)	60,000
8	Postage	774,051	0	45,000	45,000	819,051
9	Printing	94,310	(14,310)	0	(14,310)	80,000
10	IT Equipment under \$5,000	19,272	20,000	0	20,000	39,272
11	Other Equip under \$5,000	2,000	0	0	0	2,000
12	Office Equip & Furn Supplies	51,373	(1,373)	0	(1,373)	50,000
13	Insurance	13,222	1,778	0	1,778	15,000
14	Leases/Rents - Equipment	66,181	1,819	0	1,819	68,000
15	Leases/Rents - Buildings/Land	114,864	(30,864)	638,554	607,690	722,554
16	Repairs	80,306	(8,306)	0	(8,306)	72,000
17	IT - Data Processing	1,104,496	53,062	14,321	67,383	1,171,879
18	IT - Communications	156,504	(504)	0	(504)	156,000
19	IT Contractual Services	3,657,000	(1,007,000)	1,350,000	343,000	4,000,000
20	Professional Development	194,770	(19,030)	0	(19,030)	175,740
21	Operating Fees & Services	144,960	40	0	40	145,000
22	Professional Services	0	0	0	0	0
23	TOTAL OPERATING EXPENSES	7,112,460	(1,055,661)	2,047,875	992,214	8,104,674
24	TOTAL CAPITAL ASSET	6,000	0	0	0	6,000
	Subtotal General Fund	29,861,416	(4,479,213)	5,067,054	587,841	30,449,257
	Subtotal Special Fund	0	0	0	0	0
	Subtotal Federal Fund	125,000	0	0	0	125,000
25	Subtotal Tax Department	29,986,416	(4,479,213)	5,067,054	587,841	30,574,257
26	HOMESTEAD TAX CREDIT	15,800,000	2,200,000	0	2,200,000	18,000,000
27	DISABLED VETERANS CREDIT	8,410,200	5,589,800	0	5,589,800	14,000,000
28	TOTAL GENERAL FUND	54,071,616	3,310,587	5,067,054	8,377,641	62,449,257
29	TOTAL SPECIAL FUND	0	0	0	0	0
30	TOTAL FEDERAL FUND	125,000	0	0	0	125,000
31	TOTAL FOR DEPARTMENT	54,196,616	3,310,587	5,067,054	8,377,641	62,574,257

OFFICE OF STATE TAX COMMISSIONER
 APPENDIX D - COMPARISON OF OPTIONAL BUDGET ASKS AND
 GOVERNOR'S RECOMMENDED BUDGET

DESCRIPTIONS	OPTIONAL REQUESTS	OPTIONALS NOT INCL IN 2021-23 GOV RECOM.	BALANCE IN 2021-2023 RECOMMEND BUDGET	COMMENTS
Salary & Wages				
Reinvent package - funding for 17 FTEs	3,664,824	1,322,253	2,342,571	Reduction equivalent of 7 FTEs but removed only 5 from FTE count.
Retention & Attraction Equity	350,000	350,000	0	Removed equity package request
Total Salary and Wages Optional Requests	4,014,824	1,672,253	2,342,571	
Operating Expenses				
Inflationary adjustments to Operating	278,750	278,750	0	Eliminated all inflationary increases requested
Gentax Support - Level 3	1,350,000	0	1,350,000	Restores Gentax support to Level 3 (current level of support)
Treasury Offset Program (TOP)	45,000	0	45,000	Included TOP
Reinvent package - operating	49,030	49,030	0	Removed all operating related to FTEs
GIS Rate & Boundary Files	50,000	50,000	0	Removed GIS project
Litigation contingency	600,000	600,000	0	Moved to litigation pool in OMBs appropriation bill
Total Operating Expenses Optional Requests	2,372,780	977,780	1,395,000	
Homestead Tax Credit	0	0	0	Adjustment was made to base budget and fully funded
Disabled Veterans Credit	0	0	0	Adjustment was made to base budget and fully funded
SUBTOTAL of Adjustments - All General Fund	6,387,604	2,650,033	3,737,571	
Other changes by OMB/Governor:				
Operating increase for IT-Data Processing			14,321	Rate increase for Microsoft Office 365
Operating increase for Building rentals			638,554	Building rent for Capitol Building & Library
Salary and Wage line increase for compensation			676,608	Governor's health ins & compensation package
TOTAL ALL ADJUSTMENTS			5,067,054	

**OFFICE OF STATE TAX COMMISSIONER
APPENDIX E – EQUITY VS. RETENTION COMPARISON**

The Agency is at a competitive disadvantage within state government, as well as the private sector. In February 2019, the Office of State Tax Commissioner had an Auditor I position open at the same time as the Office of State Auditor. At the same time, the Agency was also advertising for an Auditor III. Ranges for these positions were as follows:

- Office of State Tax Commissioner – Auditor I: \$3,657 - \$4,267; Auditor III: \$4,366 - \$5,094;
- Office of State Auditor – Auditor I: \$4,300 - \$5,000

The Auditor I position opening resulted in 19 applicants to the Office of State Auditor, and one applicant to our Agency which did not result in a hire.

Based on these ranges, 15 Office of State Tax Commissioner employees (Auditor I, II, or III) could have applied for an Auditor I position with the Office of State Auditor and received a \$250/mo increase or greater. Further analysis of auditor positions across state agencies found that the Office of State Tax Commissioner is at 88% of other agency auditor salaries for the positions of Auditor I and II; 96% for Auditor III.

Auditor I - Range Compare

- Tax - \$3,657 - \$4,267
- Auditor - \$4,300 - \$5,000

Auditor III – Range Compare

- Tax - \$4,366 - \$5,094

CLASS	TAX AVG	OTHER AVG	TAX AVG AS % OF OTHER
Auditor I	\$3,984	\$4,548	88%
Auditor II	\$4,383	\$4,977	88%
Auditor III	\$5,359	\$5,579	96%