

Encourage compliance with Montana's tax laws	Agency/Program #: 5801-00-G1
	Division: All Divisions
	Program: All Programs
Agency Name:	Department of Revenue
Agency Contact:	Larry Finch / Gene Walborn/ Ed Caplis
LFC Contact:	Rep. Sesso and Rep. Taylor
LFD Liaison:	Greg DeWitt
OBPP Liaison:	Mark Bruno

Program or Project Description:

Appropriation, Expenditure and Source					
Fund Name:	2008		2009		Approp & Expenditure numbers are as of April 15, 2008
	Approp.	Expended	Approp.	Expended	
General Fund					
State Special					
Federal Funds					
Total:	\$0	\$0	\$0	\$0	

Legislative Goal(s):

Prevent Tax Increases, Aid Taxpayers in Following the Law, Ensure Fiscal Responsibility, Protect Montana Businesses from Unfair Competition, and Improve Tax Fairness and Integrity in Montana's Current Tax Laws.

Improve existing compliance programs to ensure that resident, nonresident and corporate taxpayers are meeting their filing obligations and paying their fair share of taxes. Fair compliance programs support the Schweitzer Administration's record and commitment to not raising taxes, to ensure fiscal responsibility and a state government that lives within its means. They also help ensure that Montana businesses do not face unfair competition from out-of-state businesses that do business in Montana but that may not pay their fair share of Montana taxes. Finally, these programs help citizens partner with each other in paying for the costs of government.

Employ a coordinated and comprehensive approach to compliance by combining audit, legal, public information and collections resources to provide compliance coverage for all taxes and fees, and to reduce differences in levels of compliance among different taxpayers and taxpayer groups, including but not limited to correcting the known shortfalls in compliance by nonresidents and out-of-state companies.

Legislative Performance Measures :

- 1) On an on-going basis, evaluate forms, instructions, and taxpayer services through taxpayer satisfaction surveys including the current form and instruction feedback cards and post-audit surveys.
- 2) Measure the effectiveness of the new mineral withholding system and report the findings by mid-year 2009.
- 3) For nonresident sellers of property, establish a baseline rate of noncompliance and then periodically measure on-going rates of non-filing by the end of calendar 2008.
- 4) For nonresident owners of pass-through entities, establish a baseline rate of noncompliance and then periodically measure on-going rates of noncompliance for non-filing and underreporting of income by mid year of calendar 2009.
- 5) Continue to identify taxpayers using abusive tax shelters and evaluate effectiveness of efforts under current law to curb such shelters by the end of calendar 2008.

2009 Biennium Significant Milestones:		Completion Dates	
		Target	Actual
1	The milestones are inherent in the performance measures listed above.		
2			
3			
4			
5			

Agency Performance Report:

The Department's successful implementation of the new Gentax computer system for state tax administration provides the data foundation for the proposed performance measurement activities.

The performance measures are in the design and development stage.

Performance Measure I: The department will be summarizing responses from the returned form and instruction survey cards mid-summer of 2008. At that time, the taxpayer responses will be analyzed to determine if changes to the forms and instructions should be made to improve taxpayer awareness and education. Post-audit surveys are reviewed upon receipt, with appropriate issues and concerns addressed as soon as administratively feasible.

Performance Measure II: The first quarter of mineral withholding was due April 30, 2008. At this time, the department will begin collecting quarterly data in preparation for developing a final report. Once all the relevant data has been collected the department will compile and analyze the data, develop conclusions regarding the mineral withholding system and report the findings in a final report to be produced by mid-year 2009.

Performance Measure III: The department continues to capture and process Realty Transfer Certificate data, with about two-thirds of that data captured as of this update. This information is essential to establishing a baseline rate of noncompliance. Once this part of the project is complete, the department will be able to estimate baseline noncompliance.

Performance Measure IV: At this time, the department is in the process of collecting the data and information needed to address this performance measure. Once all the relevant data has been collected the department will compile and analyze the data, develop conclusions regarding nonresident owners of pass-through entities, and report the findings in a final report to be produced by mid-year 2009.

Performance Measure V: The department continues to review entities, individuals and promoters that took advantage of abusive tax shelters. At this time, no conclusion has been reached regarding the effectiveness of the department enforcement ability under current law.

LFD Narrative:

LFD ASSESSMENT - Unable to determine status

DATA RELEVANCE - The data received appears to be relevant to the legislative goal, although not specific enough to evaluate if the project is on-track to accomplish the goal.

APPROPRIATION STATUS - No appropriation or expenditure information was provided.

ISSUE - As stated in the agency performance report, performance measures are in the design and development stage, as they were in the December 2007 working group report. The goal is not actually measureable without specific measure to gauge success.

OPTIONS - Tax compliance and taxpayer assistance are key components of the departments mission. These activities are ongoing and most milestones are not expected until the middle to the end of FY 2009. Also since the baseline date is still being collected and performance measures are still not developed, the working group may want to:

1. Receive an update at its October meeting for this activity
2. Ask the agency when the performance measures will be developed so they can be used to assess and report on progress toward the goal
3. Direct the agency to report on appropriations and corresponding expenditures for this activity

Version

Date

Author

Change Description

LFD

June 08 LFD	5/21/2008	G. DeWitt

Input agency update into form and added LFD Narrative