

The Legislative Fiscal Division Presents an Agency Profile of:

# The Department of Revenue

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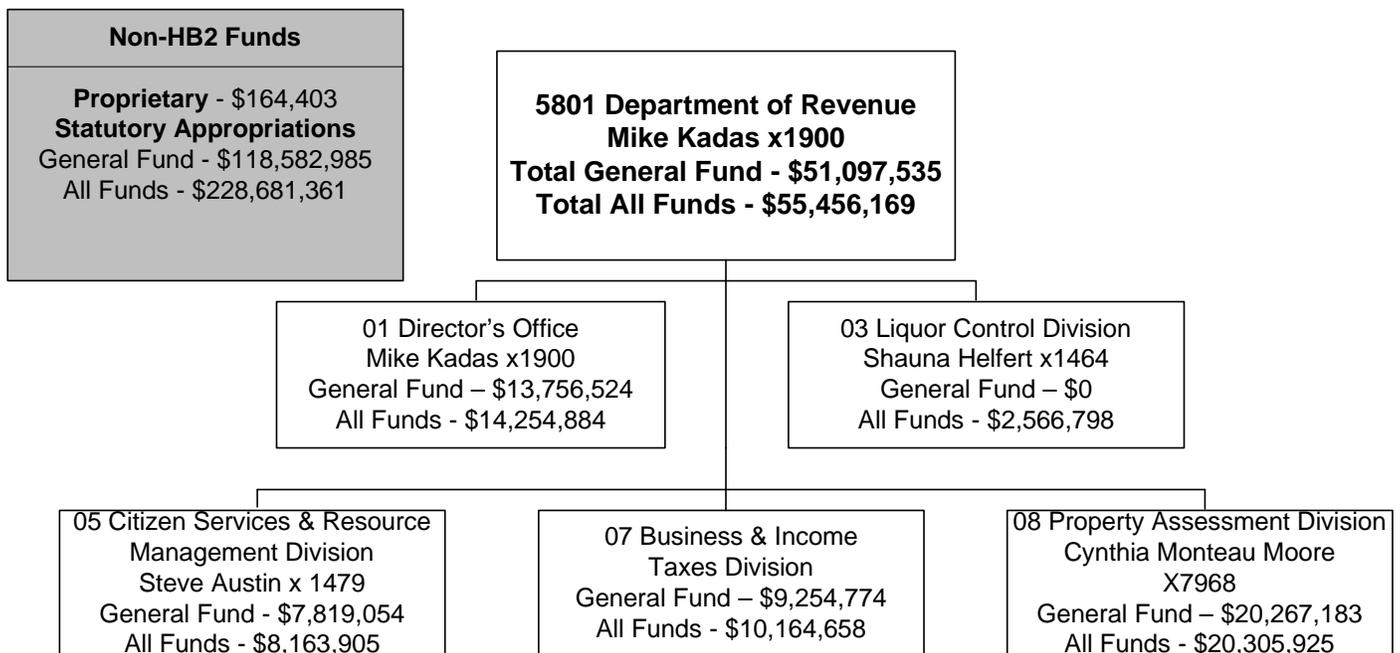
Updated August 2014

## Agency Description

## Definition of Terms

The Department of Revenue mission is: The quality of life for all Montanans is better because we excel at public service and effective administration of the tax and liquor laws. We do this by ensuring that revenues intended by the legislature to be raised are collected to serve Montanans, advancing equity and integrity in taxation, providing innovative and respectful service, protecting the public health and safety, achieving efficiency in liquor administration, and improving public understanding of Montana's revenue system. The primary statutory references defining duties and responsibilities of the department are found in 2-15-1301, MCA, 15-1-201, MCA, and Title 15, MCA.

Below is an organizational chart of the agency including general fund appropriations and the total of all funds. The chart also includes expenditures funded through statutory appropriations and non-budgeted proprietary funds. Unless otherwise noted, all phone extensions are preceded by (406) 444.

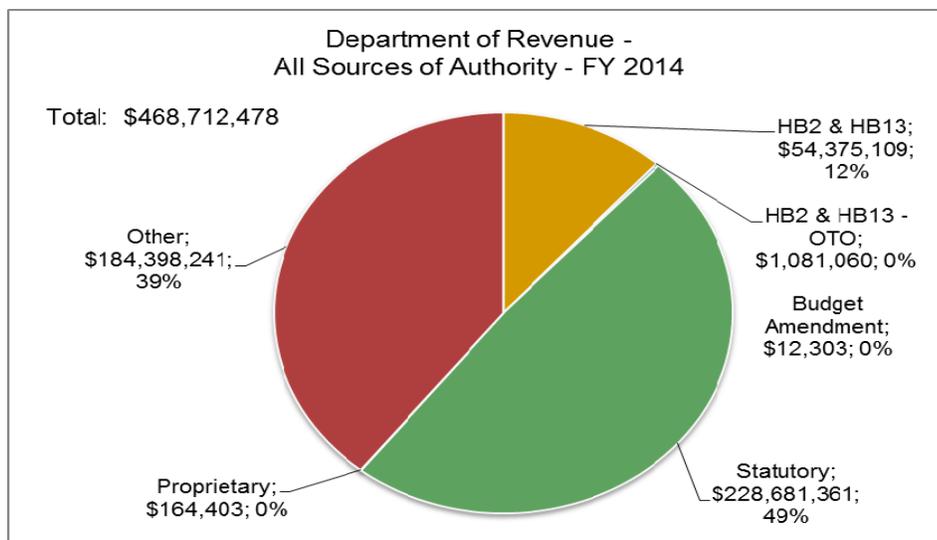


## How Services are Provided

The Department of Revenue collects and distributes revenue from and enforces regulations for 40 state taxes and fees through the Director's Office and four divisions. The department also regulates the sale and distribution of alcoholic beverages in the state. In doing so, the department buys, imports, stores, sells, and delivers liquors to agency liquor stores. The department also:

- Administers and enforces Montana's tax laws
- Appraises all property subject to state and local property taxation
- Administers the Montana Alcoholic Beverage Code
- Enforces the Montana Cigarette Sales Act
- Administers abandoned property

## Sources of Spending Authority

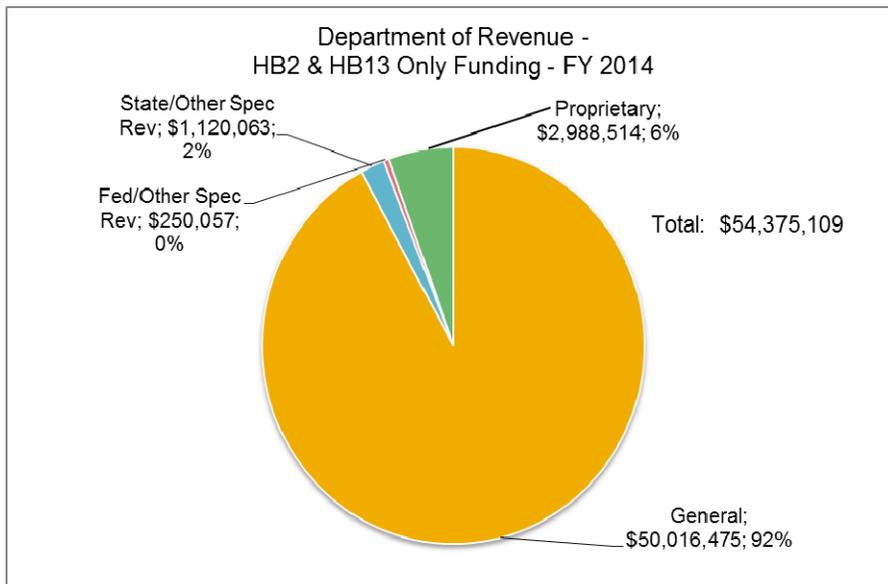
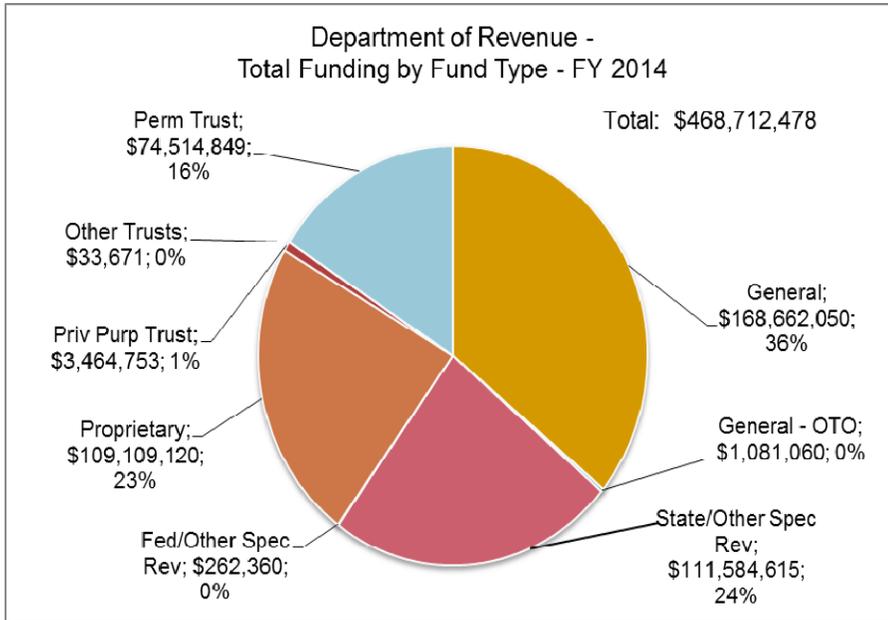


The above chart shows the sources of authority for the Department of Revenue. Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.

- HB 2 & HB 13 – all HB 2 & HB 13 authority including the budgeted proprietary expenditures of the Liquor Control Division
- Statutory - primarily distributions of tax revenues to tribal and local governments
- Proprietary - the internal service Collection Services operations
- Other – primarily language appropriations for the Liquor Control Division (\$105.9 million) and non-budgeted transfers (\$78.0 million)

## Funding

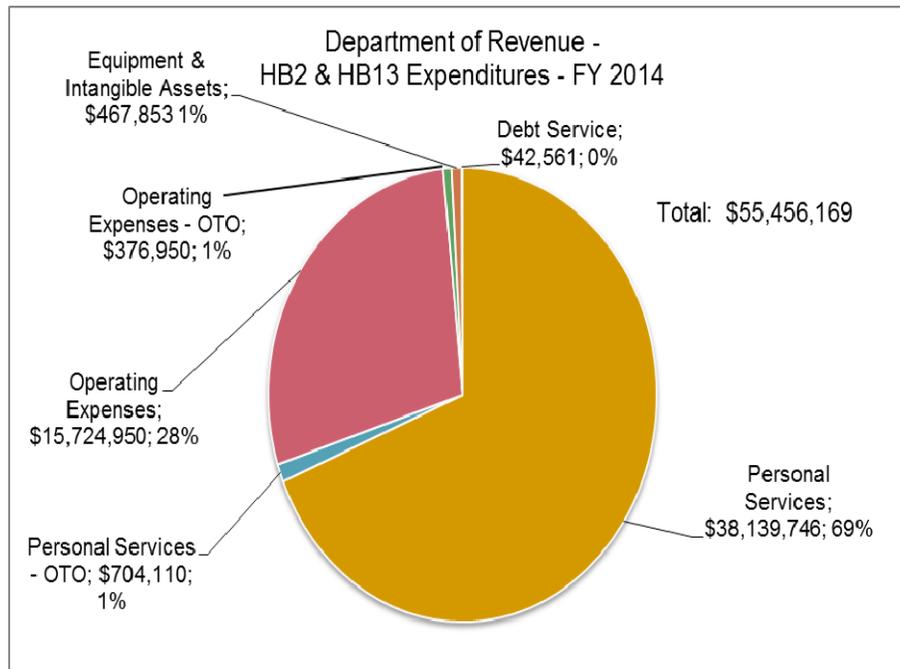
The following charts show the agency's sources of its total funding authority and the HB 2 & HB 13 funding authority by fund type (excluding funding for OTO's).



Total funding of the Department of Revenue includes most of the many taxes collected, which are subsequently distributed by the agency. Funding referred to as expendable trust primarily includes transfers of unclaimed property into private purpose trust funds. Nonexpendable trust funding refers to transfers of tax revenues into permanent trusts, such as the coal tax permanent trust.

## Expenditures

The next chart explains how the HB 2 & HB 13 authority is spent. Of the \$55.5 million of HB 2 authority expended in FY 2014, \$38.1 million, or 68.8%, was spent on personal service costs, 28.4% was spent on operating expenses, and the remaining 2.8% was spent on OTO's and equipment and intangible assets.



## How the 2015 Legislature Can Effect Change

The legislature has the ability to change expenditure levels and/or Department of Revenue activity through the following basic elements that drive costs:

- Tax policy changes – tax policy changes impact staff workload and costs associated with tax administration systems. The legislature can impact costs to administer and enforce state tax laws by influencing the number and type of taxes administered and the citizenry impacted by the taxes. It can impact tax administering and enforcement costs by affecting the complexity and frequency of tax policy changes. Tax policy changes also impact costs to implement, modify, and maintain computer systems used to administer taxes.
- Revenue distribution – revenues collected by the department are distributed according to statutory requirements. The legislature can impact the costs to administer the distribution of revenues by influencing the statutory requirements for the frequency and complexity of revenue distributions and by the number of distribution requirement changes the department must implement. With most of the department budget authorized coming through statutory appropriations to distribute revenue for local assistance payments, the legislature can influence a portion of the department budget through revenue distribution requirements.

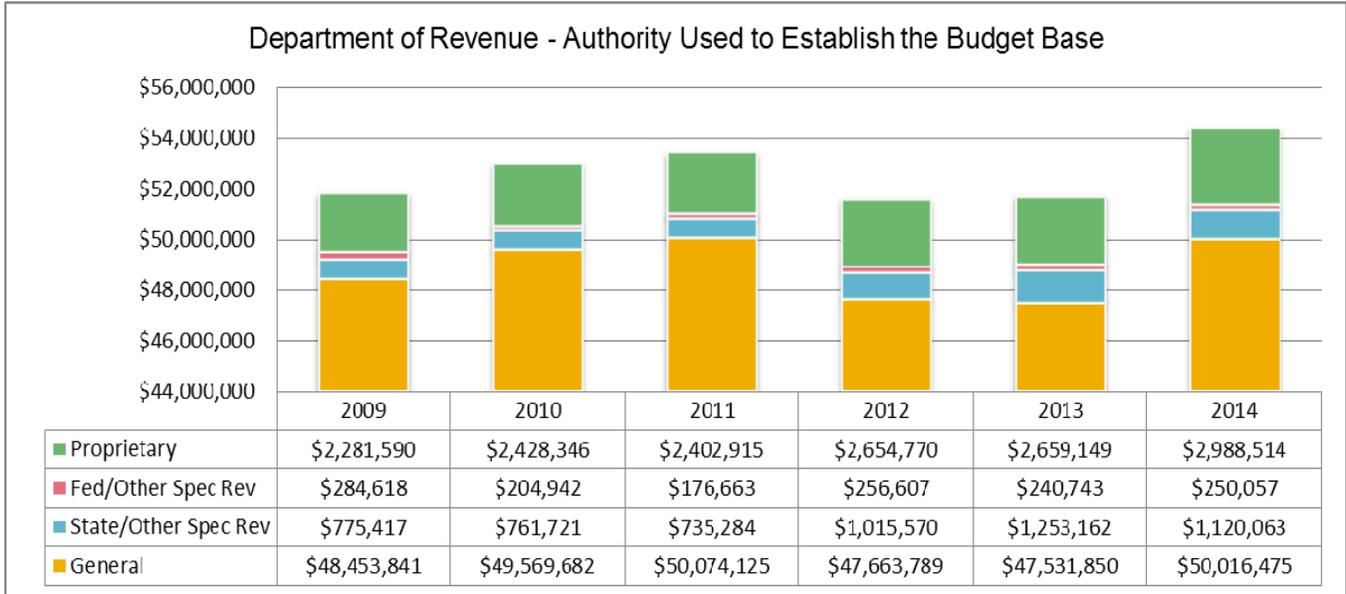
## Major Cost Drivers

Driver	2001	2013	Significance of Data
Number of income tax returns processed	529,955	547,558 (12/2013)	Estimate of workload (income tax processing)
Number of income tax returns with refunds	279,641	349,043 (4/2013)	Estimate of workload (income tax processing)
Number of corporation tax returns processed	35,625 (2003)	33,719 (4/2013)	Estimate of workload (corporation tax processing)
Number of metalliferous mine producers filing returns	5	15 (2013)	Estimate of workload (metal mines tax processing)
Total retail liquor licenses	3,300 (2004)	3,232	Estimate of workload (liquor license processing)
Number of wholesaler liquor licenses issued	35 (2004)	32	Estimate of workload (liquor license processing)
Total number of housing units (Source - US Census Dept.)	412,663 (2000)	486,141 (2012)	Estimate of workload (appraisal valuation)

The figure above reflects some of the cost drivers of the department. In addition to the items shown changes in population, economic conditions, and the number of businesses operating in the state will drive workload changes for the department.

## Funding/Expenditure History, Authority Used to Establish the Budget Base

The HB 2 & HB 13 budget for the Department of Revenue increased by \$2.7 million or 5.2% in FY 2014 after remaining fairly constant for consecutive years. The increase is primarily due to increases in personal services. Expenditures were reduced in the 2013 biennium as a result of spending reductions imposed on the agency by the 2011 Legislature in reaction to the “great recession.” The figure does not include one-time-only expenditures.



## Major Legislative Changes in the Last Ten Years

### Major Legislative Changes in the Last 10 Years

- 2013 Legislature
  - The legislature added a total of 16.00 FTE to the department: 5.00 FTE were in the Property Assessment Division as a one-time-only.
  - There was a \$1.0 million increase in GenTax maintenance and development costs.
  - The Legislature adopted an additional 2% vacancy savings for the department.
- 2009 Legislature
  - The legislature added a total of 21.30 FTE to the department: 9.30 FTE for the property tax reappraisal as a one-time-only appropriation (HB 658), 12.00 FTE to continue tax compliance activities
  - HB 10 provided \$3.4 million of general fund for an electronic imaging system
- 2007 Legislature
  - The legislature added a total of 36.75 FTE in present law and new proposals, 16.00 FTE for tax compliance activities and 8.00 FTE for new legislation
  - Developed free electronic tax filing with \$4.7 million in general fund
  - HB 9 (SS) provided a \$400 rebate for property taxes and supported the related DOR activities with \$1.0 million of general fund
- 2005 Legislature:
  - The legislature added a net 6.00 FTE to the department
  - Funded a new property tax information system with \$5.5 million in general funds
  - Increased tax types administered through the Integrated Revenue Information System (IRIS) with \$4.0 million in general fund and added vendor service costs to the base budget

For further information, you may wish to contact the agency at:

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