

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	3526/0908/3531
LFC Contact:	Rep. Sesso and Rep. Taylor	
LFD Liaison:	Greg DeWitt	444-5392
OBPP Liaison:	Mark Bruno	444-4588

Program or Project Description:

Fund Name:	2008		2009		Approp & Expenditure numbers are as of August 29, 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.

	Completion Dates	
	Target	Actual
2009 Biennium Significant Milestones:		
The milestones are inherent in the performance measures listed above.		
1		
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 has compiled and summarized the comments and responses received with the 2007 income tax form instruction survey cards. Taxpayer responses have been analyzed and changes addressing those responses, with the goal of improving taxpayer awareness and education, have been made to the 2008 income tax forms, which will be printed later this fall. Post-audit surveys are reviewed upon receipt, with appropriate issues and concerns addressed as soon as administratively feasible.

Performance Measure II: The second quarter of mineral withholding was due July 31, 2008. At this time, the department has begun collecting quarterly data in preparation for developing a final report. Once all the relevant data have been collected the department will compile and analyze the data, develop conclusions regarding the effectiveness of the mineral withholding system and provide the findings in a final report to be produced by mid-year 2009.

Performance Measure III: The department has completed the capture of Realty Transfer Certificate data. The department continues to cross match the Realty Transfer Certificate information with other department databases for noncompliance. Once more information is collected from the results of this program 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 (after hearing the agency presentation, the June 2008 working group assigned the status at that time as "On Track")

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 June 2008 working group report. The department is still collecting baseline information for use in developing the measures. 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 recommend that the LFC receive an update at a subsequent meeting during the next interim and during appropriation subcommittee hearings of the 2009 Legislature for this activity

After hearing the agency presentation, the June 2008 working group specified the status as "On Track", but directed the agency to report at the October 2008 meeting. For this meeting, the working group could:

- Keep the status as "On Track" and either
- Downgrade the status to "Progress Report Needed"

Version

Date

Author

Change Description

LFD

LFD Oct 2008	9/22/2008	G. DeWitt

Copied agency provided status from OBPP form. LFD Narrative