



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Goals/Objectives

Complete your draft of the following information for each agency goal and related objectives. This will be reviewed by the policy and budget staff. Do not exceed two pages.

- Save the document in the Guest Directory\Performance Indicators in your agency folder, named in the following format: **aaaa.ppp.vv** Where aaaa is the agency number, ppp is a number of your choice to identify each goal, and vv is the version number. The first version should be 01, then 02, etc.
- Send your OBPP budget analyst a message when you have saved a document(s) in the file.

Agency Contact: Larry Finch / Margaret Kauska

Phone Number: 3526 / 9535

Agency Name: Department of Revenue

Division: Information Technology and Processing

Program (identify and briefly describe):

List a single goal and brief description:

Goal I: Expand Convenient and Cost-Saving Electronic Filing Services for Montana Taxpayers

Make it easier, more convenient and less costly for citizens and businesses to file and pay state taxes, increase efficiency of operations, and provide for a more timely and extensive flow of information to policy makers by expanding electronic filing and payment methods for all state taxes and fees other than property taxes. Specifically, 1) implement and expand free Internet filing opportunities; 2) implement the expanded fed/state e-file program for corporate and other business income tax returns; and 3) in selected areas, provide taxpayers with expanded electronic payment options and file transfer services.

Describe the performance measures related to this goal:

Performance in this arena is measured by meeting the due dates (milestone dates) for roll out of the initiatives listed below.

List significant milestones and target dates to be completed in the 2009 Biennium:

- (A) Provide for free Internet filing of mineral royalty withholding annual reconciliation forms by end of calendar year 2008;
- (B) Provide for free Internet filing of employer withholding annual reconciliation forms by end of calendar year 2008;
- (C) Provide for free Internet filing of individual income tax Form 2M returns and Elderly Homeowner/Renter Credit (2EC) returns (including electronic payment and direct deposit capabilities) by end of calendar year 2008;

(D) Provide for free Internet filing of wine tax returns, and provide wine taxpayers with the ability to view their current account and previous tax return on the web by end of calendar year 2008;

(E) Provide for electronic filing of corporation license tax returns under the fed/state modernized e-file program by the end of calendar year 2008;

(F) Provide for electronic filing of returns and other information for all other tax types by mid-year 2009 except for the cases where electronic filing is identified as not being cost effective, feasible or appropriate.

Describe the current status of the measurements related to the goal:

The department has signed a contract with our vendor - FAST Enterprises - to implement the next series of e-services contemplated for our Integrated Revenue Information System (IRIS).

In moving towards implementation of the fed-state modernized e-file program, the department has completed the following technical and procedural steps that are absolute requirements for accomplishing this implementation:

- a) acquired the eXtensible Markup Language (XML) development suite needed for implementation;
- b) begun finalizing the federal government paperwork required, including the Memo of Understanding with the IRS, and the registration of our IRIS system with the IRS; and
- c) registered staff for and begun attending the required Tax Implementation Group for e-Commerce Requirements Standardization (TIGERS) meetings to facilitate implementation.



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Agency Contact: Larry Finch / Randy Wilke
Agency Name: Department of Revenue
Division: Property Assessment Division
Program (identify and briefly describe):

Phone Number: 3526 / 841-2562

List a single goal and brief description:

Goal II: Complete Current Reappraisal Cycle in a Uniform and Equitable Fashion by January 1, 2009

Complete in a timely and accurate fashion the uniform and equitable reappraisal and valuation of all properties subject to the current 6-year reappraisal cycle (Class 4 residential, commercial, and industrial properties, Class 3 agricultural land, and Class 10 forest land). Specifically:

Objective I: By January 1, 2009 complete the discovery of, and establish new appraisal (current market) values for, all Class 4 residential, commercial and industrial properties in a manner that meets or exceeds the uniformity and equalization reappraisal standards inherent in Montana's Constitution, the Montana Code Annotated, and generally recognized reappraisal standards.

Objective II: By January 1, 2009 complete the valuation and reappraisal of all Class 3 agricultural and Class 10 forestland properties by establishing uniform and equitable values that accurately reflect current land use and productivity in a manner that meets or exceeds the reappraisal standards inherent in Montana's Constitution, the Montana Code Annotated, and generally recognized reappraisal standards. Class 3 agricultural land has not undergone classification review, yield updates, and valuation schedule updates - that is, a complete statewide reappraisal - since 1963.

Describe the performance measures related to this goal:

Performance Measure I: Based on a comprehensive quality of reappraisal study, and measured against widely-recognized national standards, verify by the end of fiscal year 2009 that the overall sales/assessment ratio of Class 4 residential property lies between 0.9 and 1.1; that the coefficient of dispersion is less than 15%; and that the price-related differential lies between 0.98 and 1.03.

Performance Measure II: By the end of the 1st quarter of 2010, verify that the statewide number of

Class 4 residential property appeals, excluding any statewide class-action appeals, to County Tax Appeal Boards is 2% or less of the number of statewide parcels, and that 80% of those appeals are either withdrawn by the appellant, adjusted by no more than 10% by the department or the appeal board, or have the original department value sustained in a final appeals decision.

Performance Measure III: By the end of the 1st quarter of 2010, verify for agricultural parcels of 160 acres or more that no more than 2% of those parcels have their agricultural land use type (classification) appealed.

Performance Measure IV: By mid-year 2009, verify that the statewide productivity or yield of agricultural lands as determined by the department of revenue is within 10% of the productivity or yield determination made by the Natural Resource and Conservation Service (NRCS) for each land use type as defined by the Department of Revenue. (To our knowledge, the external information used to make the comparison for this performance measure is the best comparative information available.)

List significant milestones and target dates to be completed in the 2009 Biennium:

Major target dates for completion of the reappraisal process are included in the performance measures, above.

Describe the current status of the measurements related to the goal:

The measurements of the overall success of the Department's reappraisal efforts cannot be computed until the reappraisal process is complete. Prior to that time, the Property Assessment Division will continue to make every effort to discover and value all properties subject to reappraisal under the direction and guidance of regional and central office supervisors. Department staff can at any time provide decision makers their judgment of whether the process is proceeding in satisfactorily in relation to the goals.

With respect to those measurements that address agricultural land classification, using GIS technology, available imagery, Farm Services Agency data, and photo interpretation, all 56 Montana counties have had the initial desk top classification completed. Ground-truthing or on-site review of agricultural land classification has also been completed in all 56 counties.

Regarding forest land classification, 48 out of 49 counties have had the initial forest land classifications completed. They are now going through a secondary review, will be ground-truthed, and then be assigned a productivity level by the University of Montana – College of Conservation and Forestry.



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Agency Contact: Larry Finch / Gene Walborn/ Ed Caplis **Phone Number:** 3526 / 0908/ 3531
Agency Name: Department of Revenue
Division: Business and Income Tax Division
Program (identify and briefly describe):

List a single goal and brief description:

Goal III: 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.

Describe the performance measures related to this goal:

Performance Measure I: 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.

Performance Measure II: Measure the effectiveness of the new mineral withholding system and report the findings by mid-year 2009.

Performance Measure III: 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.

Performance Measure IV: 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.

Performance Measure V: 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.

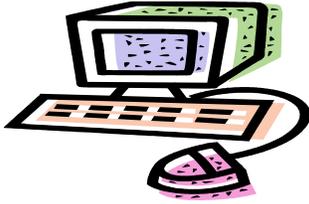
List significant milestones and target dates to be completed in the 2009 Biennium:

The milestones are inherent in the performance measures listed above.

Describe the current status of the measurements related to the goal:

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.

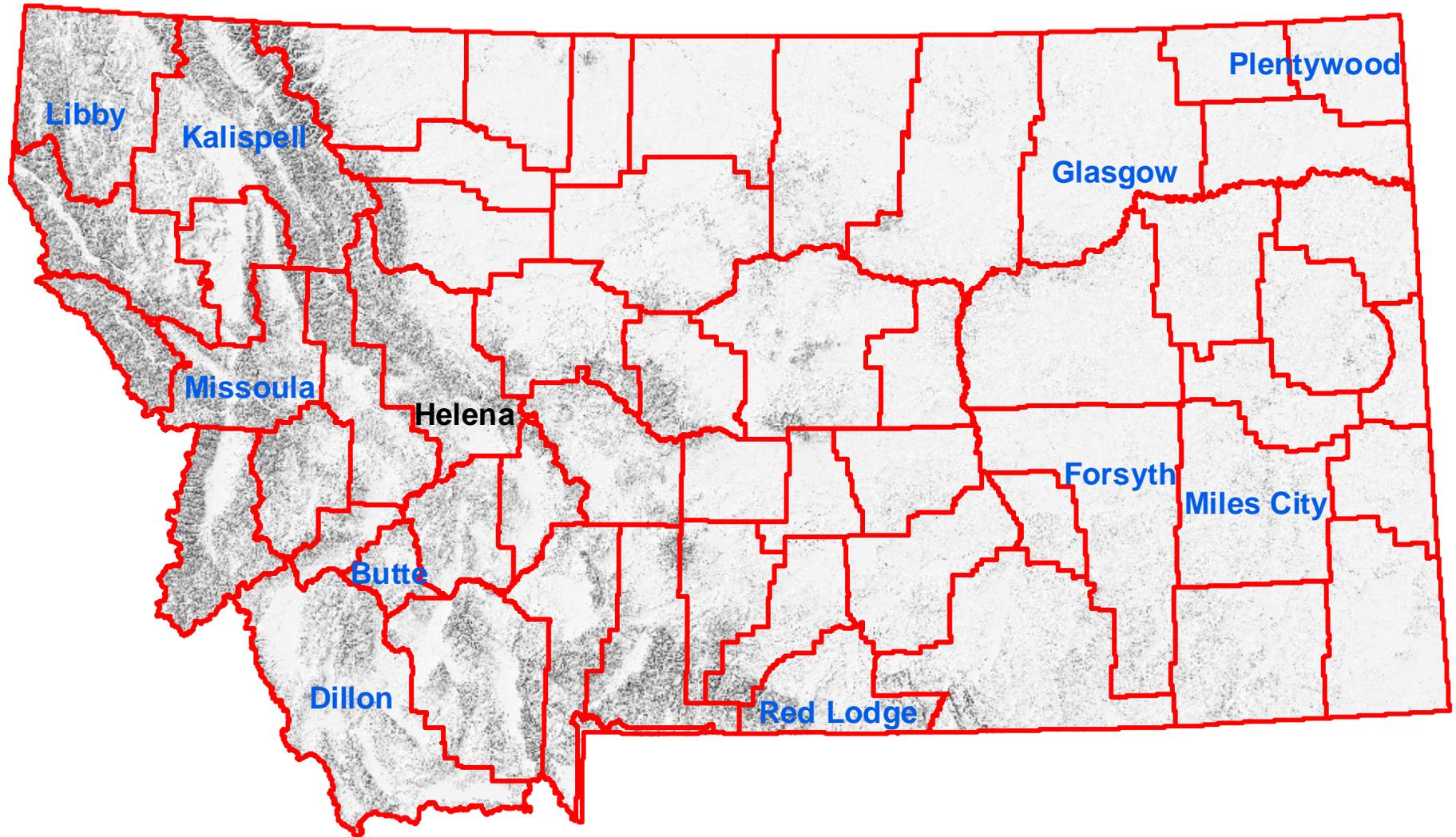


E-Services

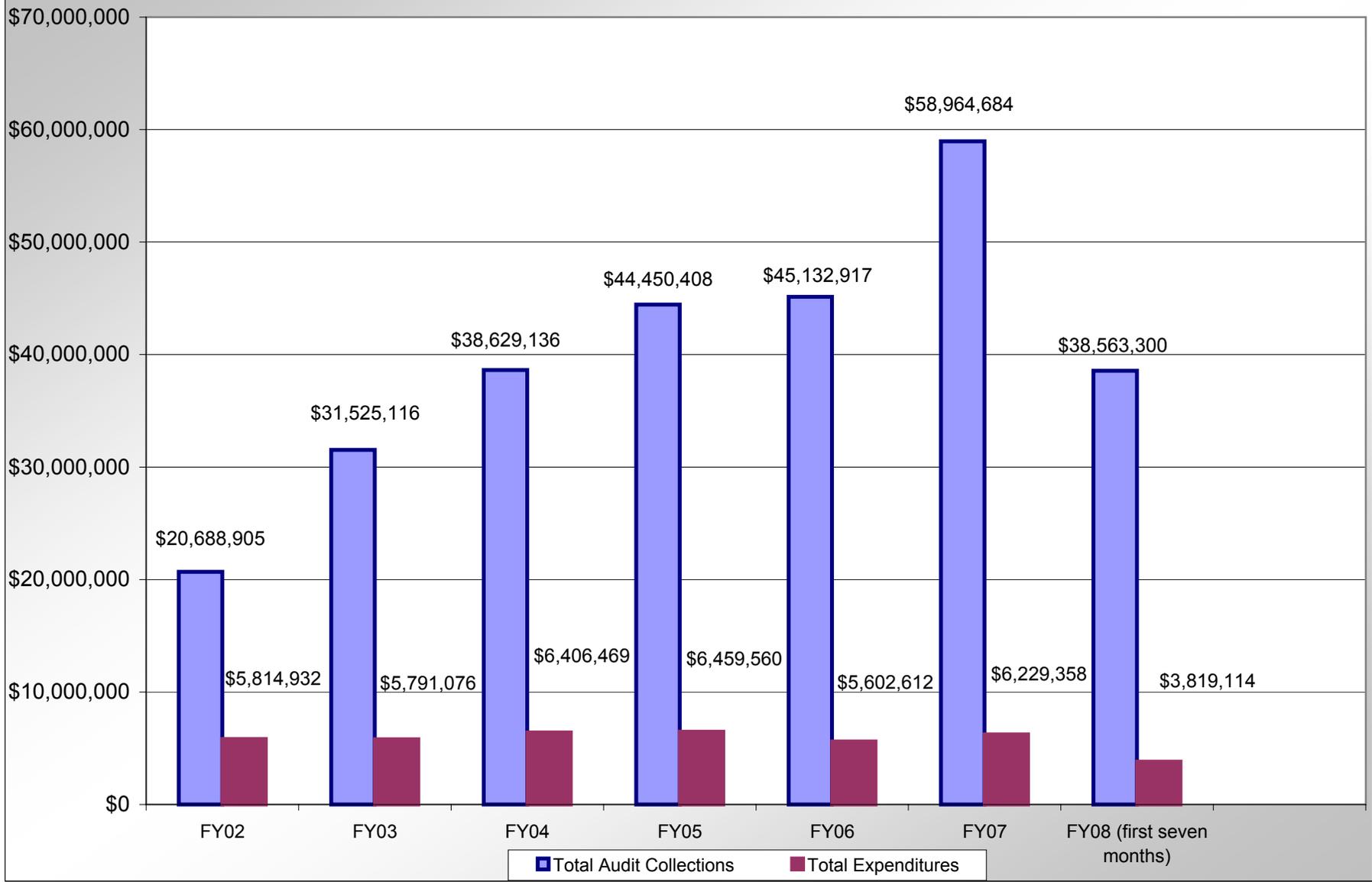
Where we are and where we are going ...

2006		
October 2006	Beer Tax & Hard Cider Tax	✓ Direct Internet Filing – Pilot Project
2007		
January 2007	Income Tax – Form 2EZ	✓ Free Internet Filing – Pilot Project
August 2007	\$400 Property Tax Refund	✓ Pre-populated form mailed to taxpayers
December 2007	Mineral Royalty Withholding	✓ Senate Bill 439
	MW3 Employer Annual Reconciliation	✓
	Brewer/Winery Report	✓
	Beer/Wine Retailer Report	✓
2008		
January 2008	Income Tax – Form 2EC	✓ IRIS Phase IV – Rollout One
	Income Tax – Form 2M	✓
	Wine Tax	✓
	Emergency Telephone 911	✓
	Retail Telecom Excise Tax	✓
	Telephone device for the deaf	✓
May 2008	Corporation License Tax – Form CLT-4	Modernized e-file – Joint federal/state
July 2008	Electrical Energy License Tax	IRIS Phase IV – Rollout Two
	Wholesale Energy Trans Tax	
	Hospital Utilization Fee	
	Nursing Facility Bed Tax	
	Consumer Counsel Tax	
	Public Service Regulation Tax	
	Liquor License Renewals	
	Liquor Retailer Account	
	Liquor Vendor Account	
December 2008	Small Business Corporation License Tax – Form CLT-4S	IRIS Phase IV – Rollout Three
	Partnership Return – Form PR-1	
2009		
January 2009	Income Tax - Long Form 2	
July 2009	Liquor Connoisseur Tax	IRIS Phase IV – Rollout Four
	Natural Resource Taxes (Bentonite, Cement and Mineral, Coal Gross Proceeds, Coal Severance, Metal Mines Gross Proceeds, Metal Mines License, Metal Mines Net Proceeds, Micaceous Mineral Mines License, Resource Indemnity Trust)	
	Other Taxes, Fees and Licenses – Bringing Total to More Than 40	Implemented starting July 2008; completed by July 2009.
	Taxpayer “Look Up” Function Implemented for Most Taxes	Implemented starting July 2008; completed by July 2009.

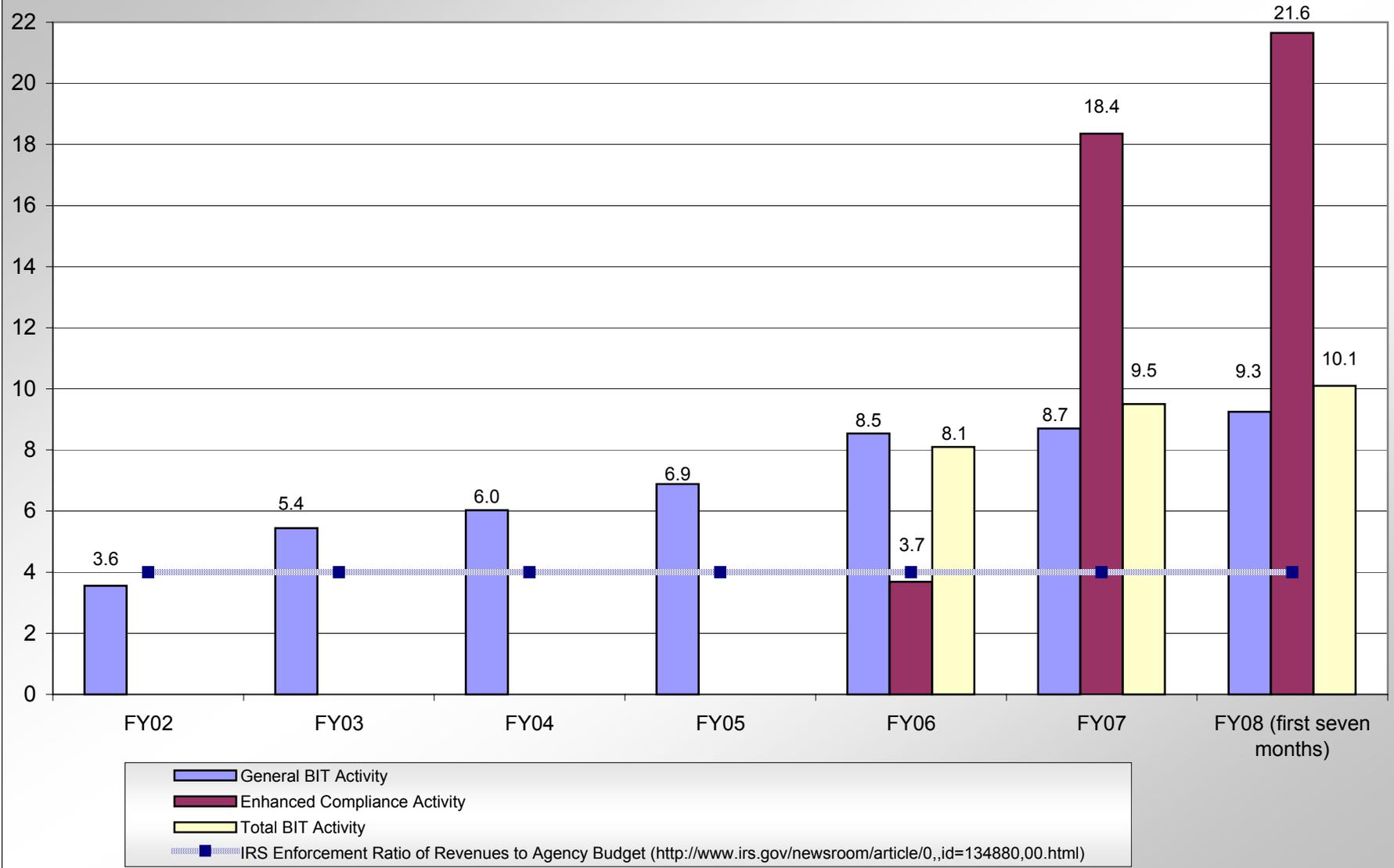
2008 DOR Electronic Filing Service Locations



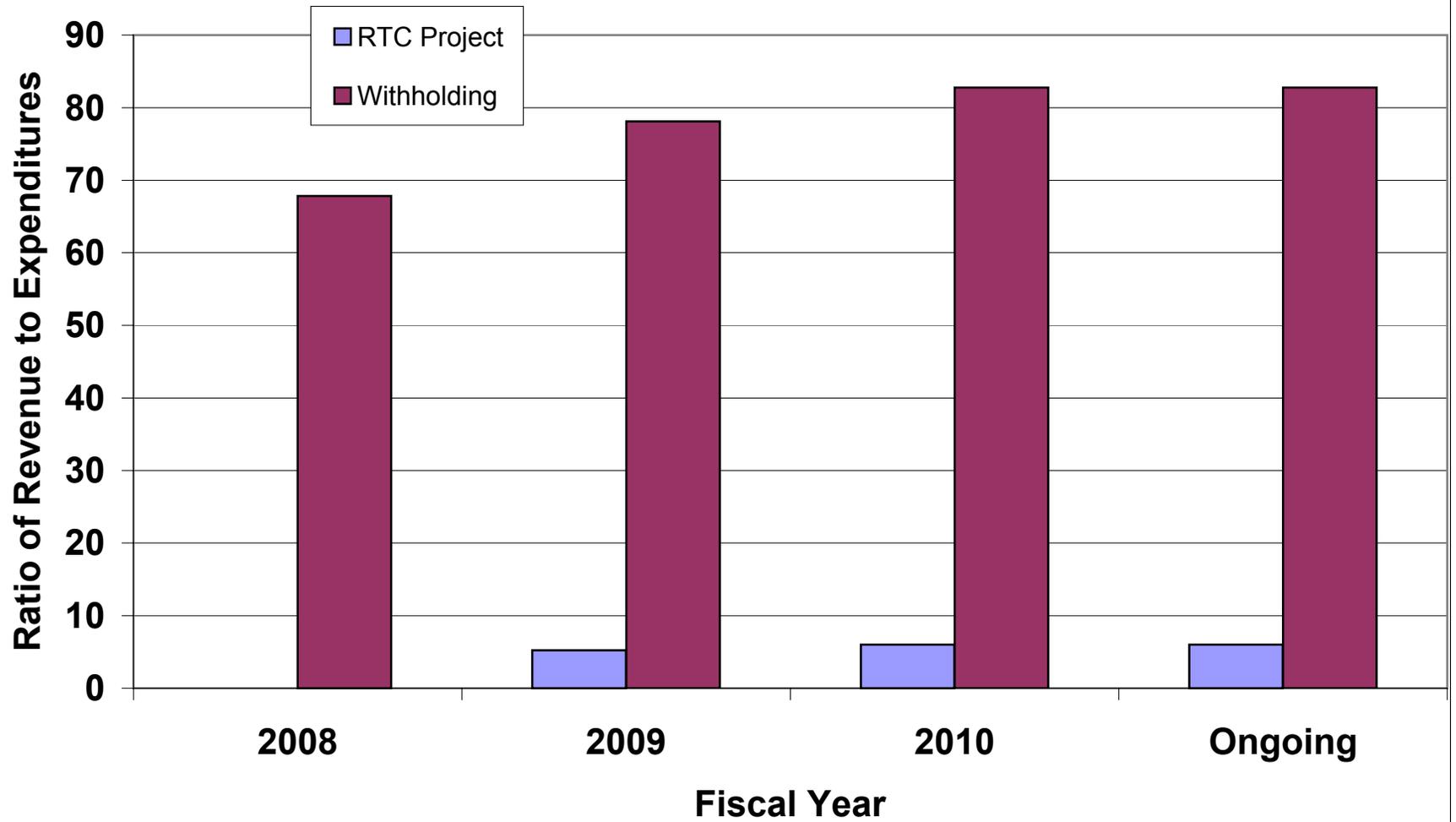
Business and Income Taxes: Audit Collections and Expenditures by Fiscal Year



Business and Income Taxes: Ratio of Audit Collections to Expenditures by Fiscal Year



Estimated Rates of Return on Nonresident Land Sales RTC Project v. Withholding



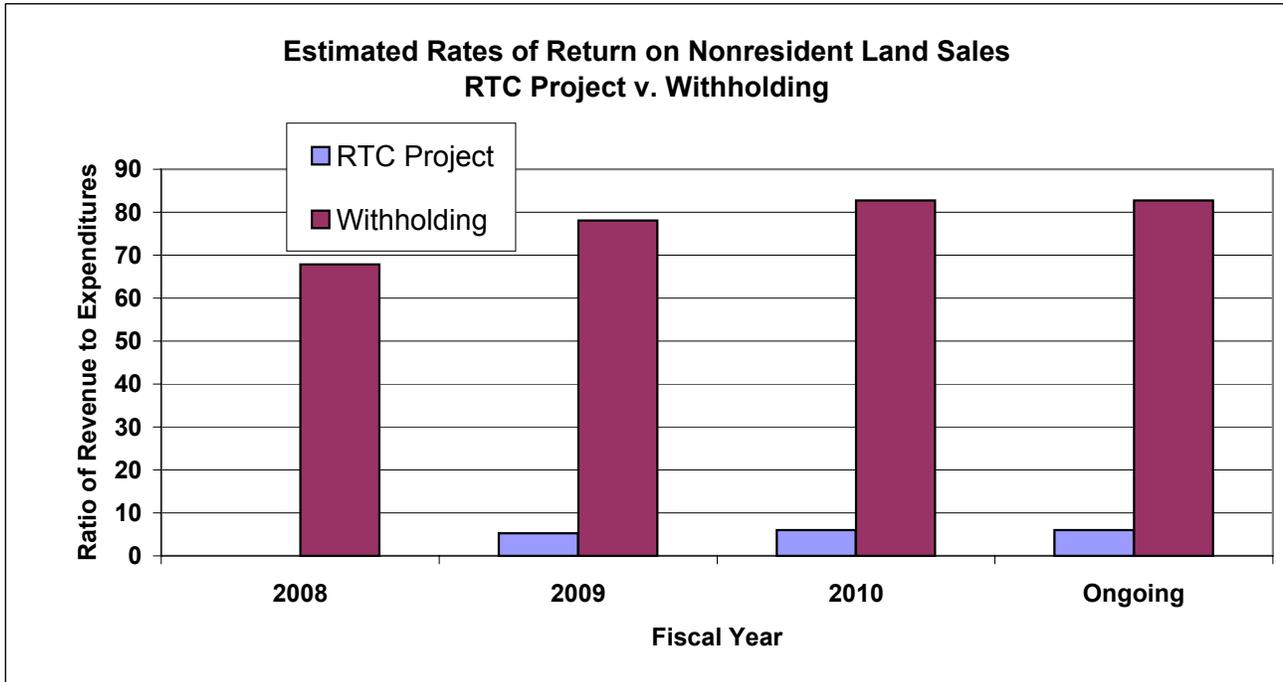
Withholding at Time of Sale vs. After Sale Collection Efforts

HB833 fiscal note revenues and administrative costs for withholding on nonresident sales of real property

FY	Revenue	Admin. Cost	Ratio
2008	9,295,984	137,045	68
2009	10,095,439	129,259	78
2010	10,963,646	132,470	83
Ongoing			83
Initial 3-Year Ave.	30,355,069	398,774	76

Estimated revenues and administrative costs for the RTC project

FY	Revenue	Admin. Cost	Ratio
2008	0	1,133,228	0
2009	2,523,860	482,462	5
2010	4,385,458	732,462	6
Ongoing			6
Initial 3-Year Ave.	6,909,318	2,348,152	3



Realty Transfer Certificate Data Capture Status Report						
COUNTY	NO.	REGION	TOTAL TRANSACTIONS 2003-2007	CAPTURED	PERCENT COMPLETE	
Beaverhead	18	5	4,872	652	13%	In progress
Big Horn	22	6	2,901		0%	
Blaine	24	2	3,071		0%	
Broadwater	43	5	1,960	1,960	100%	
Carbon	10	6	8,383		0%	
Carter	42	6	2,307		0%	
Cascade	2	2	35,003	10,501	30%	In progress
Chouteau	19	2	4,200		0%	
Custer	14	6	5,836		0%	
Daniels	37	3	2,063	2,063	100%	
Dawson	16	3	1,710	485	28%	In progress
Deer Lodge	30	5	4,427	4,427	100%	
Fallon	39	6	2,646		0%	
Fergus	8	2	9,865		0%	
Flathead	7	1	48,703	4,998	10%	In progress
Gallatin	6	5	44,617	13,059	29%	In progress
Garfield	50	3	1,054	1,054	100%	
Glacier	38	2	4,629		0%	
Golden Valley	53	6	1,309		0%	
Granite	46	4	2,966		0%	
Hill	12	2	6,321		0%	
Jefferson	51	5	2,816	2,816	100%	
Judith Basin	36	2	1,909	1,909	100%	
Lake	15	1	14,481	10,849	75%	In progress
Lewis & Clark	5	4	23,361	11,467	49%	In progress
Liberty	48	2	1,358		0%	
Lincoln	56	1	12,954		0%	
Madison	25	5	11,945	11,945	100%	
McCone	41	3	1,057	1,057	100%	
Meagher	47	5	1,108	1,108	100%	
Mineral	54	4	2,545		0%	
Missoula	4	4	38,967	19,959	51%	In progress
Musselshell	23	6	4,621		0%	
Park	49	5	3,624		0%	
Petroleum	55	3	817	817	100%	
Phillips	11	3	4,041		0%	
Pondera	26	2	3,077		0%	
Powder River	9	6	2,254		0%	
Powell	28	4	3,032	980	32%	In progress
Prairie	45	3	1,667	189	11%	In progress
Ravalli	13	4	12,565		0%	
Richland	27	3	4,331	0	0%	
Roosevelt	17	3	4,116		0%	
Rosebud	29	6	4,382		0%	
Sanders	35	1	2,642		0%	
Sheridan	34	3	3,035	3,035	100%	
Silver Bow	1	5	12,481	12,481	100%	
Stillwater	32	6	6,218		0%	
Sweet Grass	40	6	2,320		0%	
Teton	31	2	2,372		0%	
Toole	21	2	3,009		0%	
Treasure	33	6	715		0%	
Valley	20	3	7,238		0%	
Wheatland	44	6	1,479	1,479	100%	
Wibaux	52	3	701	418	60%	In progress
Yellowstone	3	6	52,799	1,360	3%	In progress
STATE TOTAL			454,880	121,068	27%	

**Summary
 Realty Transfer Certificate Project
 As of 3/4/2008**

Number of Realty Transfer Certificates				
Year	Non-Resident	Resident	Unknown *	Grand Total
2003	1,627	3,531	307	5,465
2004	1,556	3,501	323	5,380
2005	1,792	4,402	342	6,536
2006	1,388	3,456	327	5,171
2007	821	2,161	110	3,092
Total	7,184	17,051	1,409	25,644
Percent of Total	28.0%	66.5%	5.5%	100%
Percent of Total less Unknowns	29.6%	70.4%		100%

As of March 4, 2008 the RTCs in following seven counties have been data entered: Jefferson, Wheatland, Broadwater, Deer Lodge, Meagher, Madison and Judith Basin

* Unknown - Represents the number of RTCs that could not be verified in the cross-matching process to determine if the property owner has or has not filed. No letters are sent for this category.

Summary of Non-Filer Letter Campaign					
County	Status	Non-Resident	Resident	Total	Percentage of Total
Jefferson	Response	155	123	278	45%
	No Response	176	164	340	55%
	Total	331	287	618	
Total	Responses	155	123	278	45%
	No Response	176	164	340	55%
	Total	331	287	618	
Collections to Date		\$ 12,994.88	\$ 6,259.64	\$ 19,254.52	

As of March 4, 2008 non-filer letters have only been sent for Jefferson county. Please see Jefferson county's information for more detail.

**Jefferson County
 Realty Transfer Certificate Project
 As of 3/4/2008**

Number of Realty Transfer Certificates				
Year	Non-Resident	Resident	Unknown *	Grand Total
2003	136	370	63	569
2004	155	327	85	567
2005	121	445	103	669
2006	118	474	161	753
2007	52	175	31	258
Total	582	1,791	443	2,816
Percent of Total	20.7%	63.6%	15.7%	100%
Percent of Total less Unknowns	24.5%	75.5%		100%
Number of Non-filers Identified as of Report Date	331	287		618
Gross Non-Filing Rate	57%	16%		22%

* Unknown - Represents the number of RTCs that could not be verified in the cross-matching process to determine if the property owner has or has not filed. No letters are sent for this category.

Summary of Non-Filer Letter Campaign					
Date of Letter	Status	Non-Resident	Resident	Total	Percentage of Total
1/16/2008	Response	45	23	68	60%
	No Response	31	15	46	40%
	Total	76	38	114	
1/31/2008	Responses	54	66	120	60%
	No Response	40	41	81	40%
	Total	94	107	201	
2/11/2008	Response	18	10	28	29%
	No Response	39	29	68	71%
	Total	57	39	96	
2/12/2008	Responses	38	24	62	30%
	No Response	66	79	145	70%
	Total	104	103	207	
Total	Responses	155	123	278	45%
	No Response	176	164	340	55%
	Total	331	287	618	
Collections to Date		\$ 12,994.88	\$ 6,259.64	\$ 19,254.52	

Detail of Responses from Letters				
Response Category	Non-Resident	Resident	Total	Percentage of Total
Filed	9	6	15	2.43%
Tax Documents Requested	21	5	26	4.21%
In Research	35	12	47	7.61%
1031 Transaction	2	1	3	0.49%
Bad Address	17	34	51	8.25%
Deceased	1	7	8	1.29%
Divorce Decree	5	1	6	0.97%
No Gain	27	9	36	5.83%
Deployed Military	1	0	1	0.16%
Primary Residence	15	18	33	5.34%
RTC Data Incorrect	5	14	19	3.07%
RTC Incorrect SSN	17	16	33	5.34%
Total Responses	155	123	278	44.98%
No response as of Report Date	176	164	340	55.02%

Response Category Descriptions:
 Filed: The property owner filed an income tax return.
 1031 Transaction: The property was transferred via a 1031 Exchange.
 Bad Address: The letters were returned to the Department due to a bad address.
 Deceased: The property owner is deceased.
 Divorce decree: The transfer was due to a divorce and no taxable event occurred.
 In research: The property owner has supplied the Department additional information which is being reviewed.
 No Gain: Property owner sold property at a loss, or no gain
 Primary Residence: The property transferred was a primary residence therefore no taxable event occurred.
 RTC Data Incorrect: The RTC name of the seller was incorrect. (Jr. was listed but Sr. sold the property)
 RTC Incorrect SSN: The RTC had an incorrect Social Security Number.
 Deployed Military: Taxpayer has 180 day extension to file
 Tax Documents Requested: The taxpayer has requested Montana tax documents to file the return.