



MONTANA DEPARTMENT OF REVENUE

HJ35 – Administration and Compliance

Revenue Interim Committee

September 24, 2019

Department of Revenue

Mission Statement

The Department of Revenue serves Montana by providing high quality services, ensuring equity and fairness, and constantly improving efficiency.

Goals

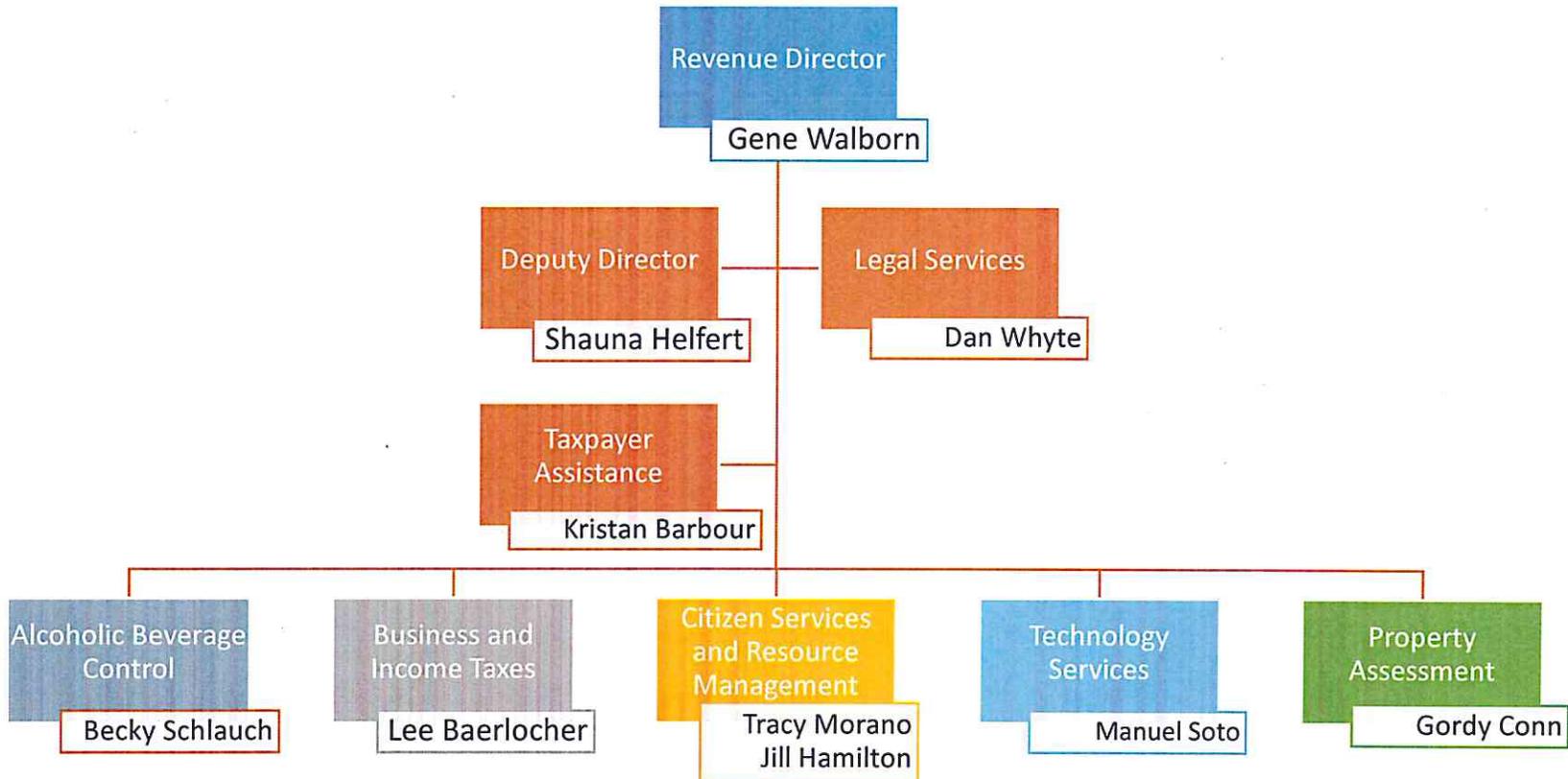
To serve Montana's citizens by improving their understanding of laws the department administers.

To advance equity and integrity in the laws we administer while continually increasing effectiveness and efficiencies.

To continually improve productivity and the quality of service by developing highly competent and trained staff.



Organization Structure



Director's Office - Administration

Executive Office

Enterprise Planning and Analysis

Dispute Resolution

Human Resources and Organizational Development

Tax Policy and Research

Contracts, Facilities and Purchasing

Security

Legal Services

Communication and Taxpayer Assistant

Accounting and Budgeting

Call Center



Alcoholic Beverage Control Division

Licensing and Compliance Bureau

- Issue Alcoholic Beverage Licenses
- Ensure Compliance
- Alcohol Education and Training

Liquor Distribution Bureau

- Manage State Liquor Distribution Center
- Manage Agency Liquor Store Contracts
- Collection of Alcoholic Beverage Taxes



Business and Income Taxes Division

Income and Withholding Taxes Bureau

- Withholding
- Compliance
- Pass Through
- Field Audit
- Taxpayer Accounting

Business Taxes and Valuation Bureau

- Corporation Tax
- Natural Resource
- Miscellaneous Tax
- Centrally Assessed and Industrial Property



Citizen Services and Resource Management Division

Information Management Bureau

- Mail and Imaging
- Account Maintenance and Cashiering
- Information Capture
- E-Services

Collections Bureau

- Delinquent Collections
- Other Agency Debt Collections



Technology Services Division

Technical Operations Bureau

Application Services Bureau

Quality Assurance Bureau



Property Assessment Division

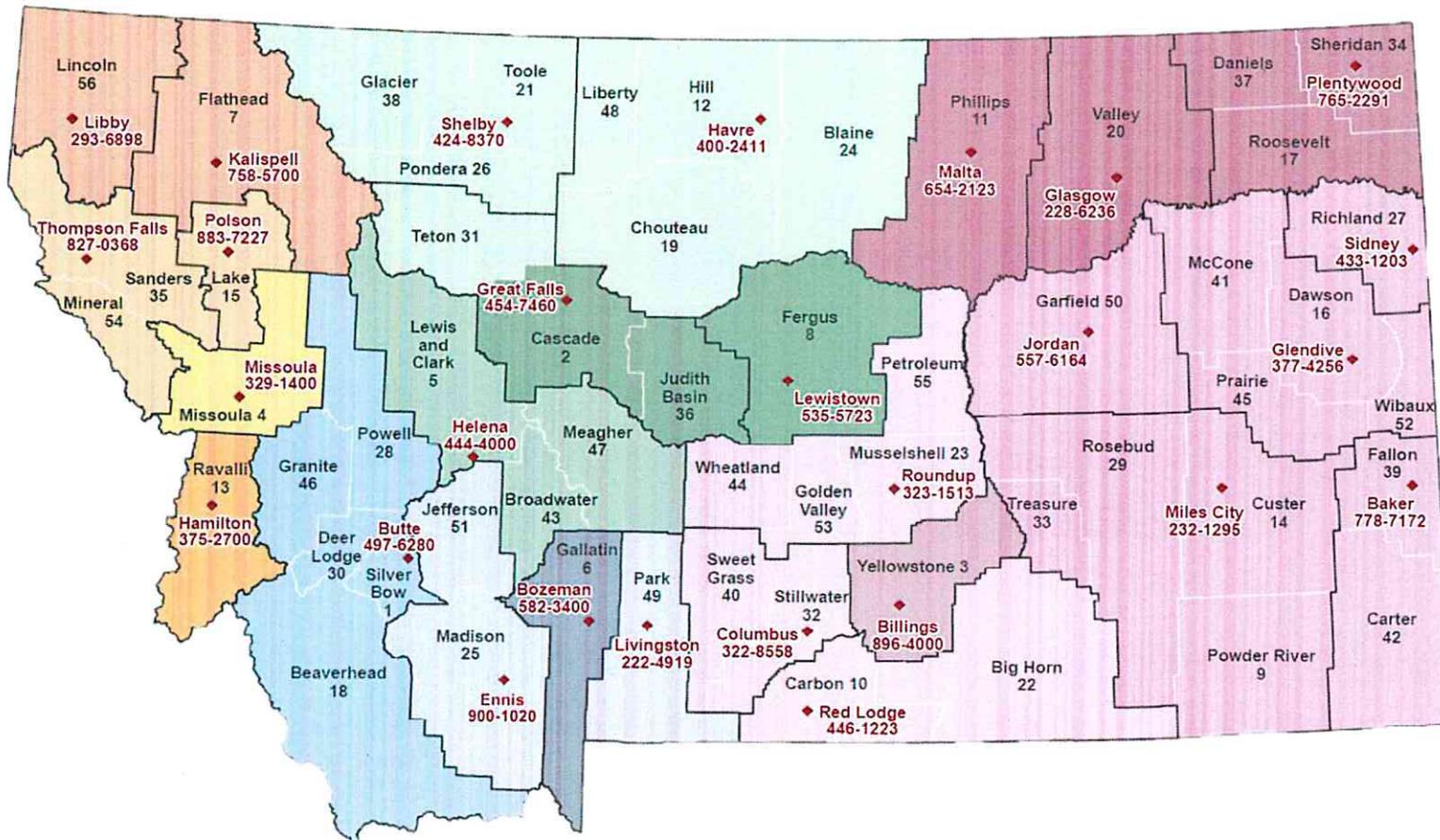
Helena Central Office

Statewide Field Offices

- Regional Structure with 27 Field Offices



Property Assessment Field Offices

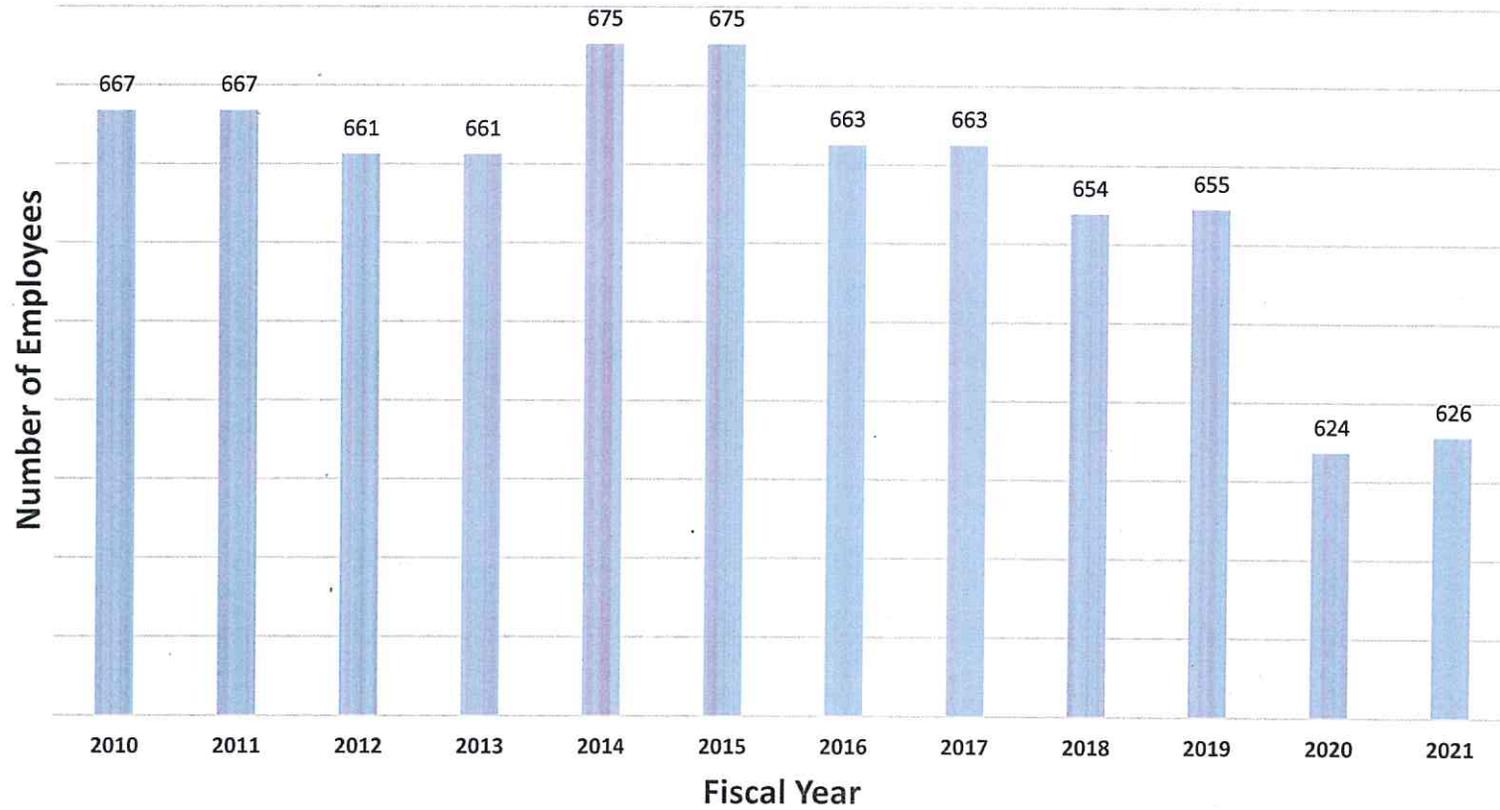


Agency Budget

	2020 Budget	Discretionary Budget in \$	Discretionary Budget %
Director's Office (88 FTE)			
Personal Services	\$8,180,550		
Operating	\$6,920,518		
Other	\$6,000		
TOTAL	\$15,107,068	\$1,151,478	7.62%
CSRM - Excludes Collection Services (96 FTE)			
Personal Services	\$5,897,984		
Operating	\$2,670,775		
TOTAL	\$8,568,759	\$727,204	8.49%
BITD - Excludes Fed Royalty Program (137 FTE)			
Personal Services	\$9,769,980		
Operating	\$1,669,887		
TOTAL	\$11,439,867	\$546,021	4.77%
PAD (271 FTE)			
Personal Services	\$18,911,851		
Operating	\$3,388,455		
Other	\$6,385		
TOTAL	\$22,306,691	\$871,655	3.91%
PROPRIETARY FUND			
ABCD (32 FTE)			
Personal Services (Excludes \$60k in Term Pay)	\$2,465,685		
Operating (Includes \$100k trans to DOA for parking lot)	\$548,685		
Equipment	\$30,554		
Other	\$31,479		
TOTAL	\$3,076,403	\$345,695	11.24%
TOTAL BUDGET	\$60,498,788	\$3,296,358	5.45%
TOTAL PERSONAL SERVICES (624 FTE)	\$45,226,050		
TOTAL OPERATING BUDGET	\$14,649,635		



Department of Revenue FTE



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Department of Revenue State Collections - Fiscal Years 2012 - 2018							
	2012	2013	2014	2015	2016	2017	2018
Individual Income Tax							
Income Tax Withheld	\$ 734,240,351	\$ 783,631,123	\$ 816,681,159	\$ 875,304,260	\$ 904,652,951	\$ 941,987,699	\$ 998,390,078
Income Tax All Other	164,610,850	264,158,862	246,603,249	300,440,621	280,174,810	226,236,943	299,386,508
Subtotal	898,851,201	1,047,789,985	1,063,284,408	1,175,744,881	1,184,827,762	1,168,224,644	1,297,776,586
Corporation Income Tax	127,774,092	177,500,421	147,550,091	172,731,561	118,386,603	125,991,635	167,099,816
Natural Resources Taxes (State Portion)							
Bentonite Tax	494,248	352,050	172,039	219,172	286,081	266,623	291,255
Coal Severance Tax	52,742,627	56,573,818	57,676,184	60,891,414	60,358,548	58,808,035	60,097,399
Oil and Gas Production Tax	110,123,693	120,794,398	135,766,496	92,502,365	45,537,806	54,846,008	65,514,847
Resource Indemnity Trust Tax	2,343,678	2,112,327	2,278,971	3,303,038	2,335,153	2,622,658	2,531,336
Metaliferous Mines License Tax	9,936,518	13,222,539	10,457,348	10,947,952	5,691,074	6,698,782	8,700,599
Subtotal	175,640,765	193,055,132	206,351,039	167,863,941	114,208,662	123,242,105	137,135,436
Other Taxes, Licenses and Services							
Cigarette Tax	75,533,075	74,790,040	73,839,772	71,843,320	73,219,123	71,872,218	65,495,811
Telecommunications Excise Tax	21,459,017	20,651,872	19,656,770	18,256,517	16,774,868	15,602,798	13,725,924
Lodging Facility Use Tax	22,257,882	23,332,178	24,486,047	27,127,478	27,910,664	29,539,381	32,805,856
Inheritance/Estate Tax (Net)	59,718	1,676	3,741	35	62	-	-
Sales Tax - Accommodations	15,606,496	16,719,931	17,725,159	19,696,526	21,492,606	21,780,133	24,091,089
Nursing Facility Bed Tax	14,294,205	13,719,662	13,929,619	13,485,243	13,232,878	13,109,763	16,959,437
Hospital Utilization Fee	21,238,158	21,703,642	22,179,418	23,626,972	22,667,834	22,282,214	22,619,596
Emergency Telephone 911 System	13,212,111	13,062,990	13,009,356	12,947,304	13,120,489	13,020,367	13,003,639
Electrical Energy Production Tax	4,481,361	5,066,602	4,279,845	5,132,926	4,536,484	4,313,577	4,301,551
Abandoned Property	7,188,318	8,827,032	12,882,668	10,196,308	9,554,713	12,068,348	13,868,626
Tobacco Products Tax	12,024,144	12,386,794	12,562,721	12,894,293	13,131,013	13,268,717	12,864,522
Wholesale Energy Transaction Tax	3,427,411	3,558,221	3,112,284	3,795,377	3,516,131	3,463,834	3,628,180
Public Service Commission Tax	2,461,936	2,608,068	4,910,861	3,254,094	2,897,229	4,745,981	3,936,916
Sales Tax - Rental Vehicles Tax	3,419,763	3,523,211	3,521,324	3,906,745	4,269,438	4,536,234	4,958,598
Contractor's Gross Receipts Tax	(3,041,921)	(137,587)	887,078	3,256,741	2,397,493	3,078,111	4,266,687
Rail Car Tax	2,273,412	2,178,957	2,418,072	3,706,309	3,594,460	3,790,195	3,648,993
Consumer Counsel Tax	1,523,517	1,063,563	1,444,344	1,469,750	1,002,553	1,365,518	919,347
TDD Telecommunications Service Fee	1,325,236	1,317,336	1,430,128	1,321,811	1,334,146	1,352,174	1,365,782
Intermediate Care Utilization Fee	882,024	951,767	906,220	906,155	1,036,982	743,617	614,244
Other Taxes and Licenses	127,592	152,681	151,784	165,793	160,547	152,789	225,566
Subtotal	219,753,456	225,478,635	233,337,211	236,989,696	235,849,713	240,085,969	243,300,363
Liquor Taxes, Profits, and Licenses							
Liquor Profits and License Fees (to GF)	9,559,079	10,584,631	10,560,209	11,253,438	11,373,175	12,034,865	12,459,988
Liquor, Beer, and Wine Taxes	30,266,107	31,438,970	32,471,220	33,908,378	34,706,138	35,545,414	36,450,544
Subtotal	39,825,185	42,023,600	43,031,429	45,161,815	46,079,313	47,580,279	48,910,532
TOTAL COLLECTIONS	\$ 1,461,350,452	\$ 1,685,847,774	\$ 1,693,554,177	\$ 1,798,491,894	\$ 1,699,352,053	\$ 1,705,124,632	\$ 1,894,222,733

Source: Montana Department of Revenue Biennial Report July 1, 2016 – June 30, 2018

Taxes Levied on the Montana Property Tax Bill				
	FY 2016	FY 2017	FY 2018	FY 2019
Valuation¹				
Market Value of Taxable Property	135,220,585,424	136,934,429,644	148,339,510,804	151,023,043,539
Statewide Total Taxable Value	2,619,721,826	2,691,987,518	2,895,215,029	2,904,772,508
City/Town Taxable Value	899,768,492	919,157,377	979,467,125	990,265,593
Taxes Levied²				
State				
University	15,822,579	15,491,504	17,455,388	17,563,962
Vo-Tech (General Fund)	1,344,028	1,369,397	1,451,966	1,469,488
State General Fund	<u>250,553,092</u>	<u>257,908,937</u>	<u>276,405,990</u>	<u>278,124,867</u>
Subtotal State	267,719,699	274,769,838	295,313,344	297,158,316
County				
General	115,323,300	116,876,741	126,609,859	124,058,556
Road	53,799,325	55,615,371	56,393,977	60,829,727
Bridge	12,953,170	15,113,861	14,172,207	15,075,882
Entitlement	7,100,939	5,324,005	5,517,187	5,673,223
County Fair	6,797,709	7,150,091	8,877,393	8,980,675
Library	11,986,772	12,965,969	14,870,744	15,512,643
Agricultural Extension	3,670,719	3,955,752	4,245,403	4,086,672
Planning	2,914,576	3,138,904	3,312,845	3,393,007
Health and Sanitation	10,008,092	10,842,902	43,696,194	46,555,306
Hospital	4,280,524	3,683,031	3,769,007	3,640,887
Airport	2,110,235	2,149,239	2,645,896	2,358,232
District Court	7,030,337	7,247,268	7,307,808	7,619,265
Weed Control	5,588,345	5,697,817	5,770,341	5,789,810
Senior Citizens	3,298,693	5,171,256	8,400,186	8,823,073
Public Safety	74,513,721	79,787,788	109,302,531	119,869,197
Other	<u>82,010,814</u>	<u>101,175,180</u>	<u>32,410,728</u>	<u>39,136,437</u>
Subtotal County	403,387,271	435,895,178	447,302,306	471,402,590
Local Schools				
Elementary	263,156,621	275,281,737	323,335,565	327,625,303
High School	150,851,960	155,434,923	181,713,418	188,931,156
K-12	58,935,893	63,852,009	74,580,017	89,522,972
Jr. College	<u>6,844,488</u>	<u>7,068,968</u>	<u>7,563,594</u>	<u>7,821,051</u>
Subtotal Local Schools	479,788,961	501,637,637	587,192,594	613,900,481
County-Wide Schools	103,985,844	109,143,305	119,124,717	126,502,579
Cities and Towns	159,503,534	164,529,140	171,739,280	177,769,753
Fire and Miscellaneous	67,292,732	58,756,356	77,523,883	65,727,808
Total Property Tax Based on				
Mills	\$1,481,678,040	\$1,544,731,454	\$1,698,196,124	\$1,752,461,527
S.I.D.'s and Fees	\$149,389,749	\$176,274,421	\$157,236,226	\$178,739,245
Total Property Taxes	\$1,631,067,789	\$1,721,005,875	\$1,855,432,350	\$1,931,200,772

¹ State taxable value include local abatements, Source: State Assessor's Report

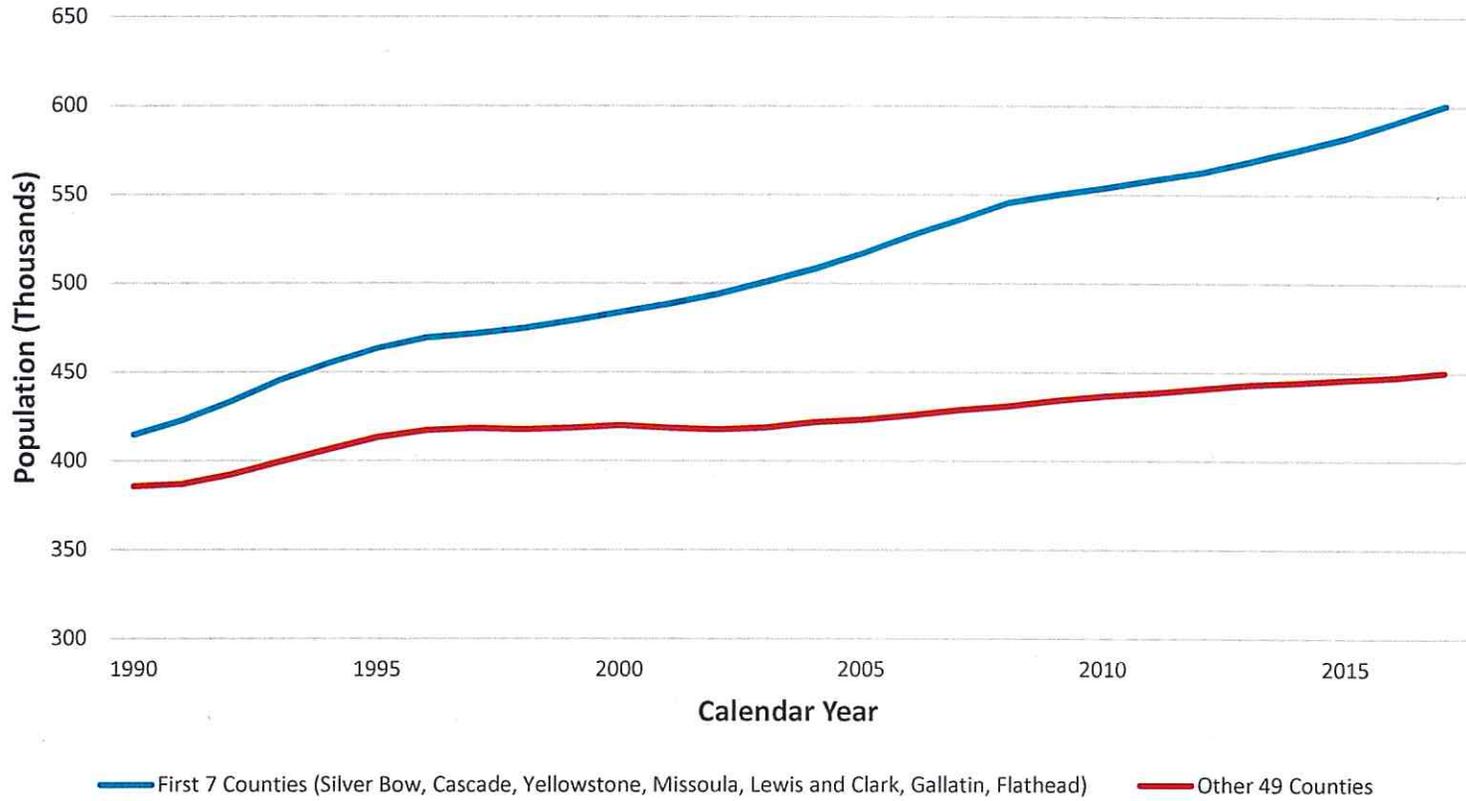
² Includes revenue distributed to TIFDs, Source: Taxes Levied Report

Source: Montana Department of Revenue Biennial Report July 1, 2016 – June 30, 2018



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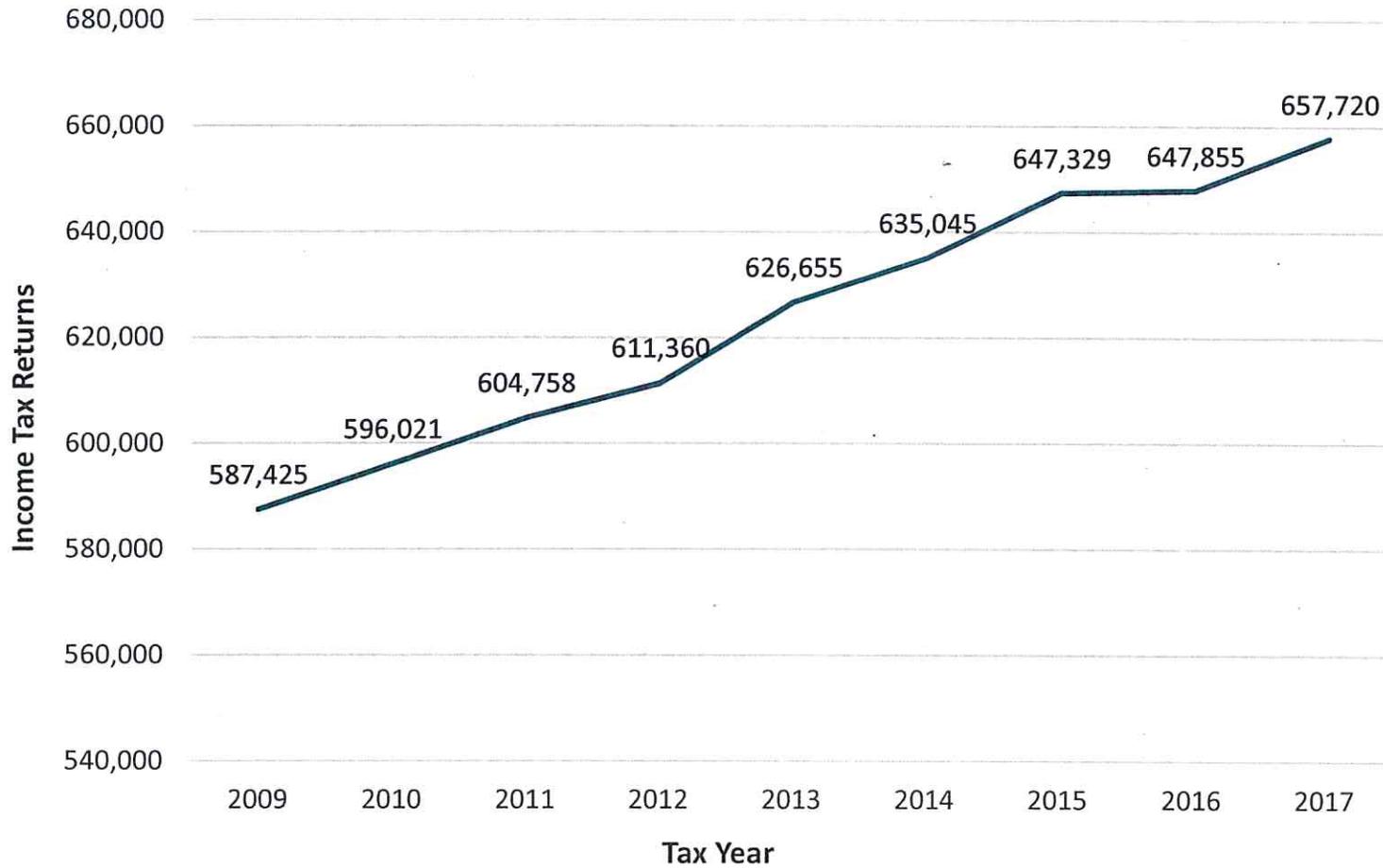
Montana Population



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Income Tax Returns

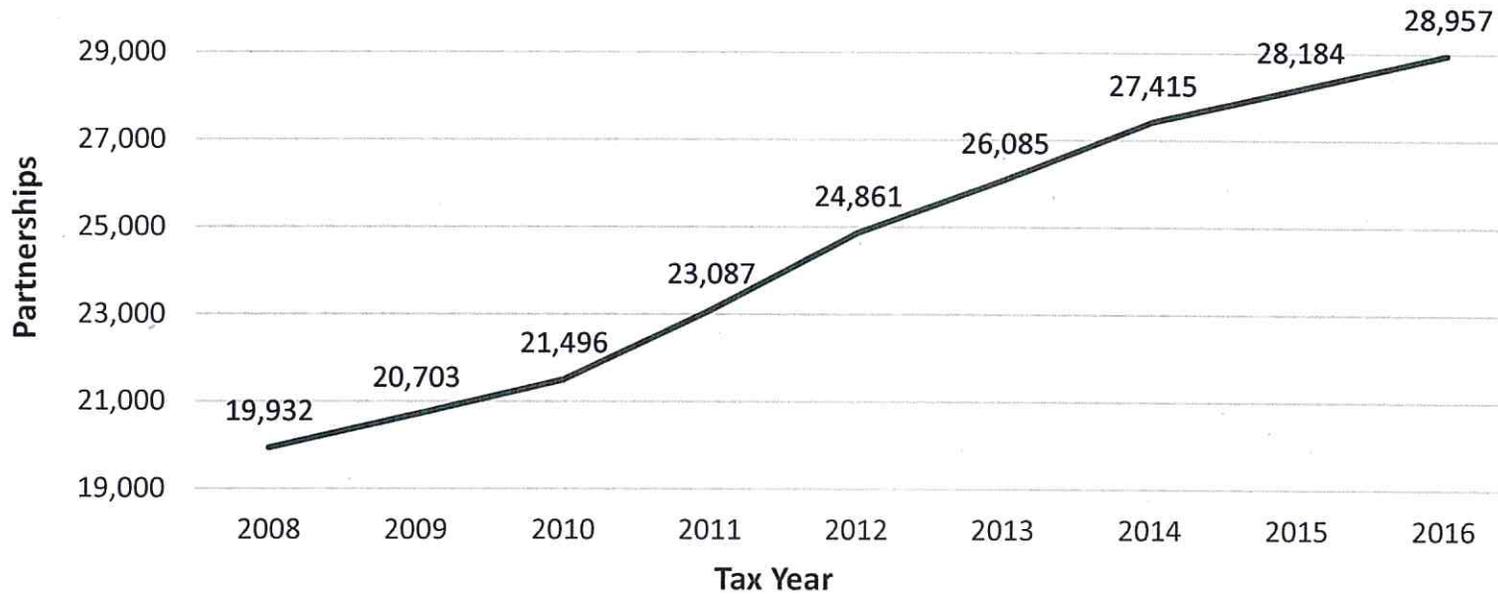
Individual and Business Returns



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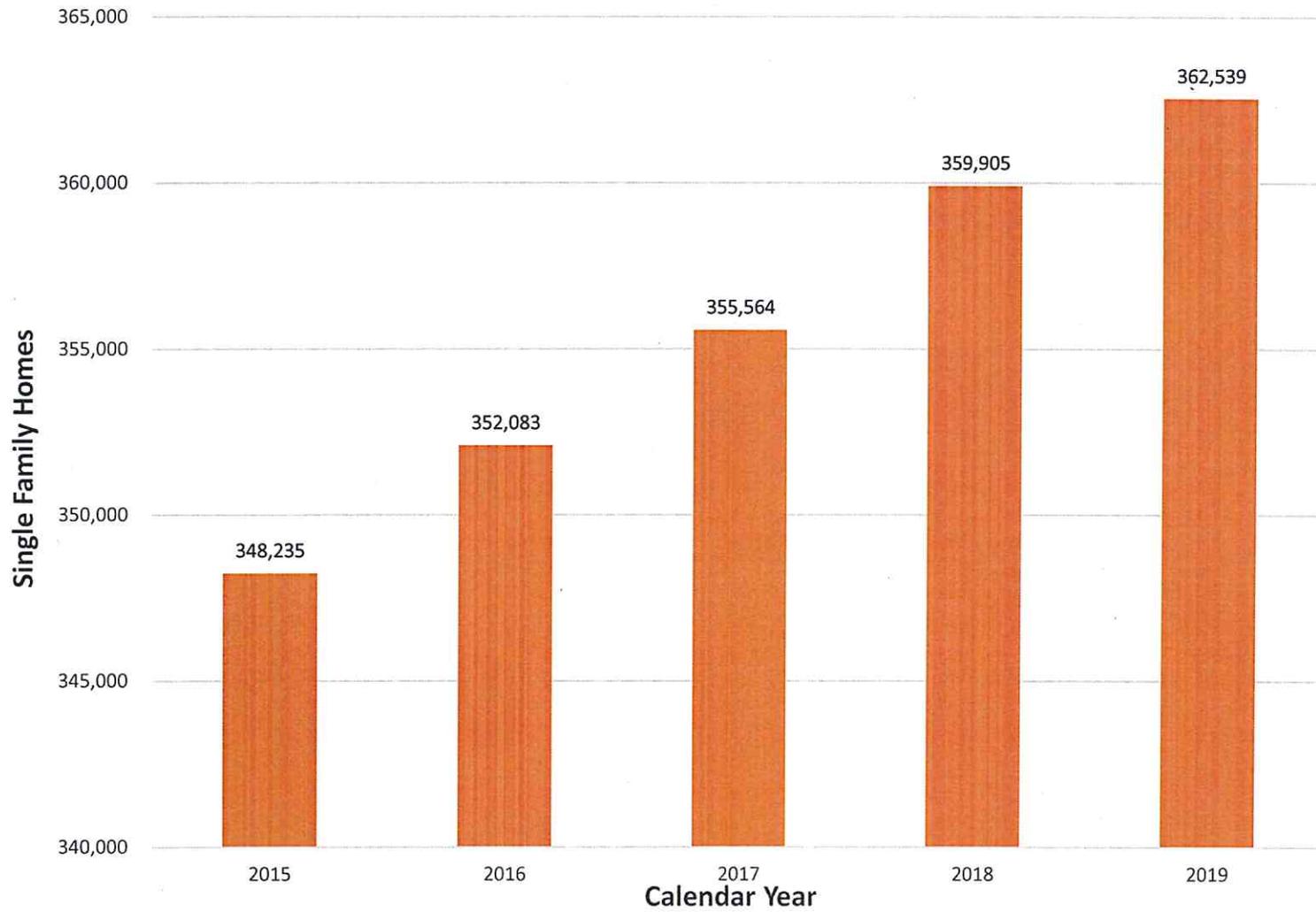
Montana Partnerships



Type of Owner	Montana		Multi-State	
	Owners	%	Owners	%
Resident Individuals	36,780	68%	8,627	4%
Nonresident Individuals	10,829	20%	139,737	57%
Montana Business Entities	3,799	7%	1,344	1%
Non-Montana Business Entities	2,979	5%	93,369	38%
Total	54,387	100%	243,077	100%



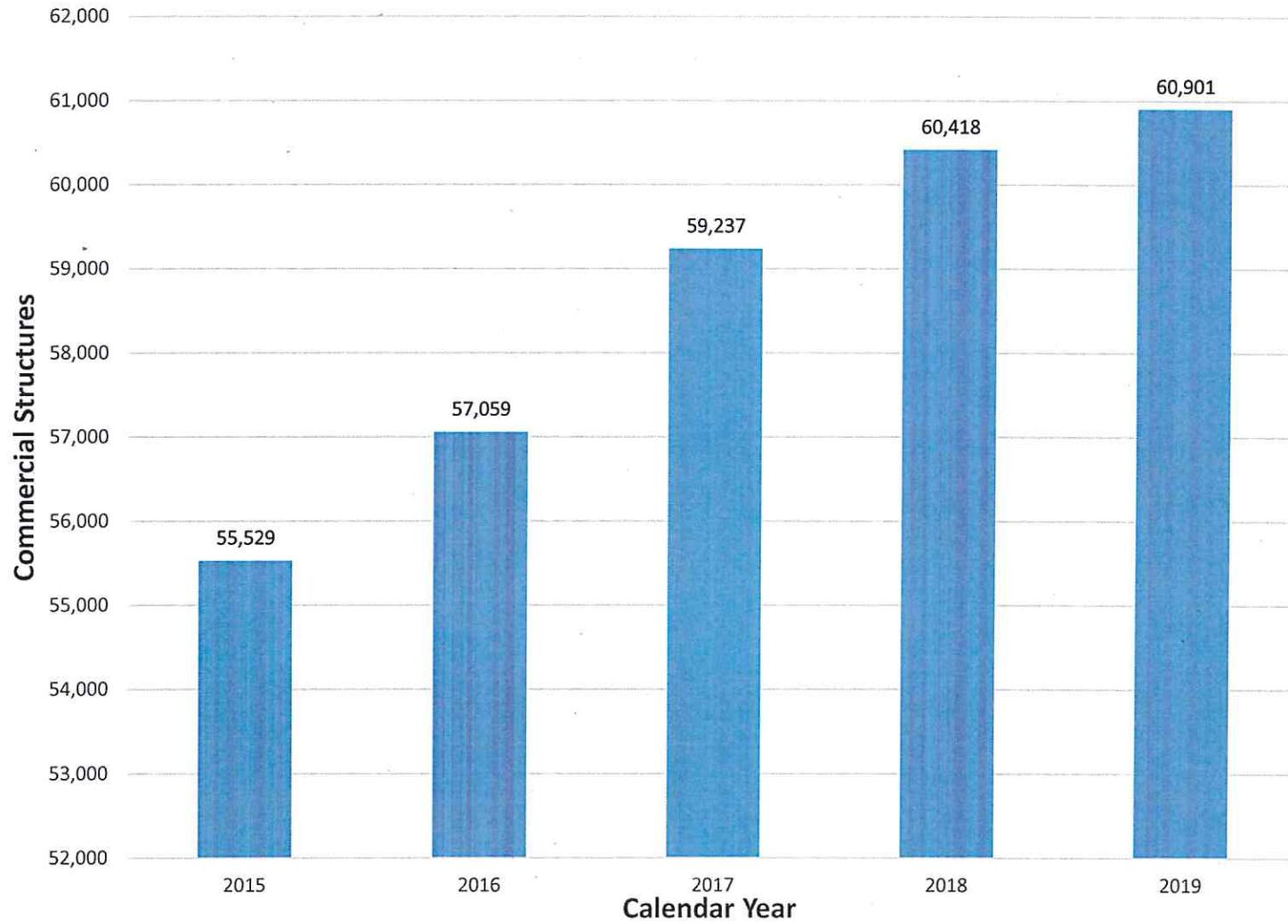
Single Family Homes



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Commercial Structures

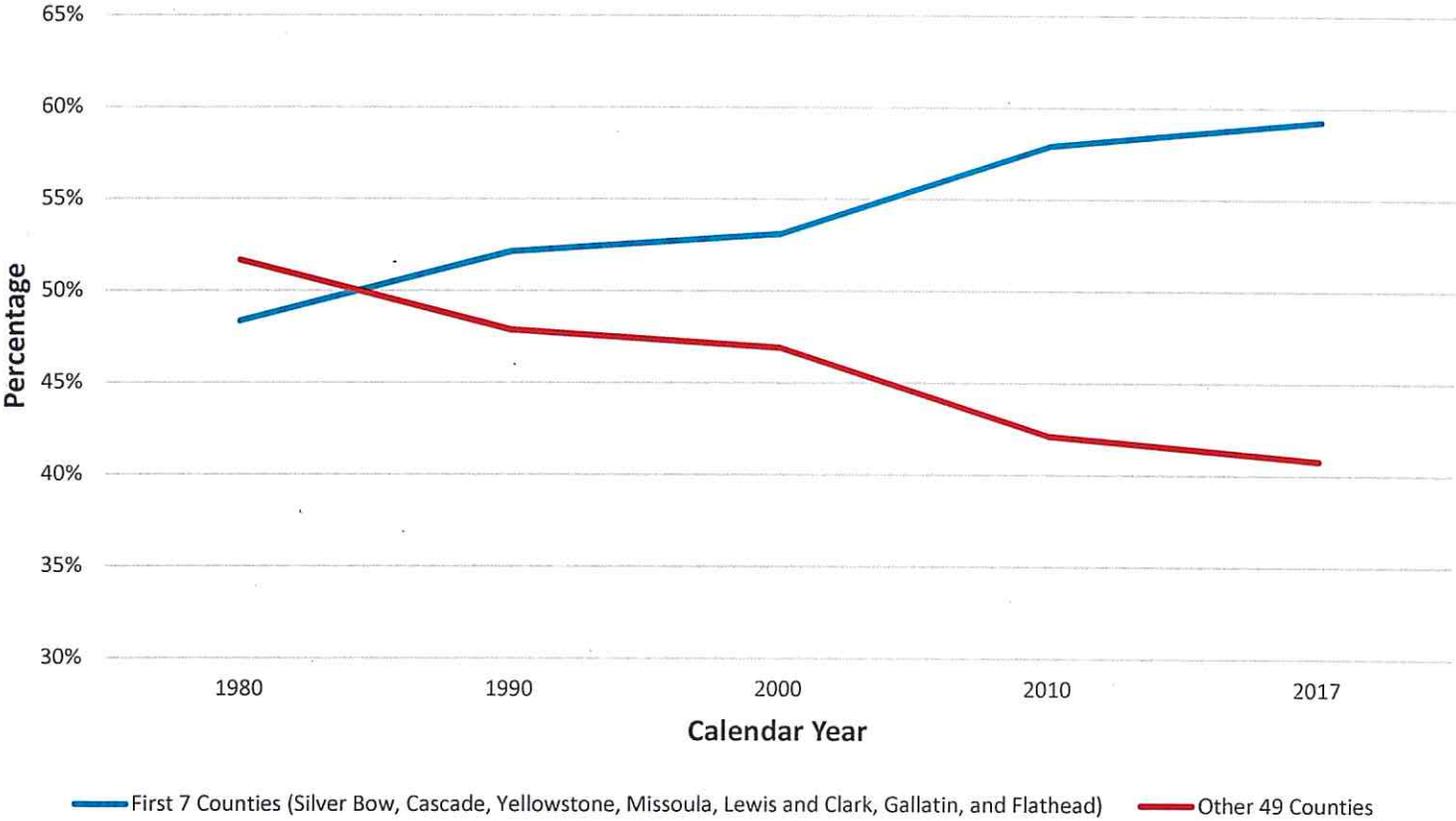


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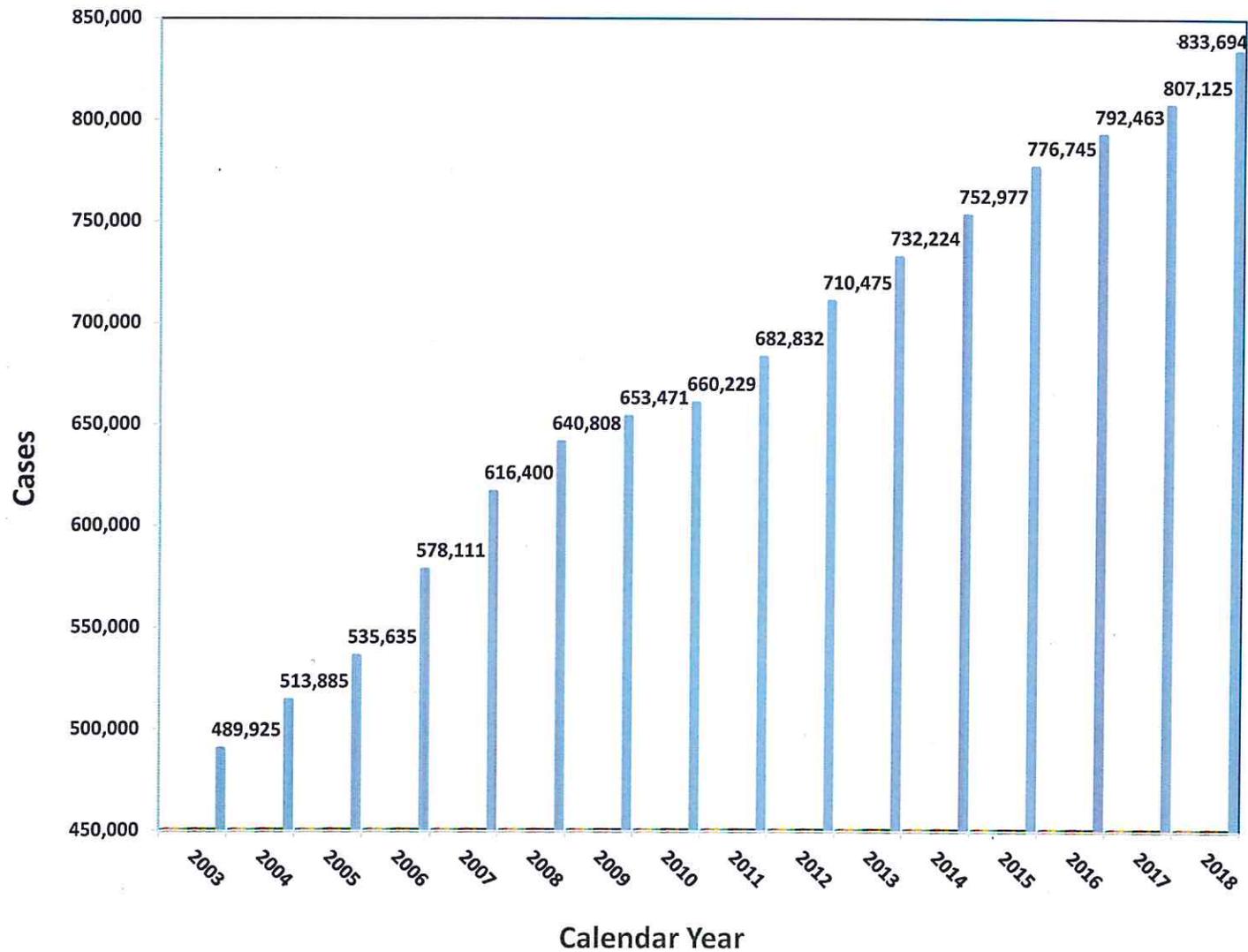
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Montana Market Value Trend

County Market Value as % of Total State Market Value



Alcoholic Beverages Shipped from State Warehouse



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Tax Gap

What is the “tax gap”?

- The “tax gap” is the difference between the amount of taxes owed and the amount voluntarily paid on time.

How does the “tax gap” occur?

- Three primary causes
 - **Non-filing**
 - **Underpayment**
 - **Underreporting of tax liability**

Additional Information:

- Joint Committee on Taxation - *Overview of the Tax Gap* (JCX-19-19), May 8, 2019
- www.jct.gov



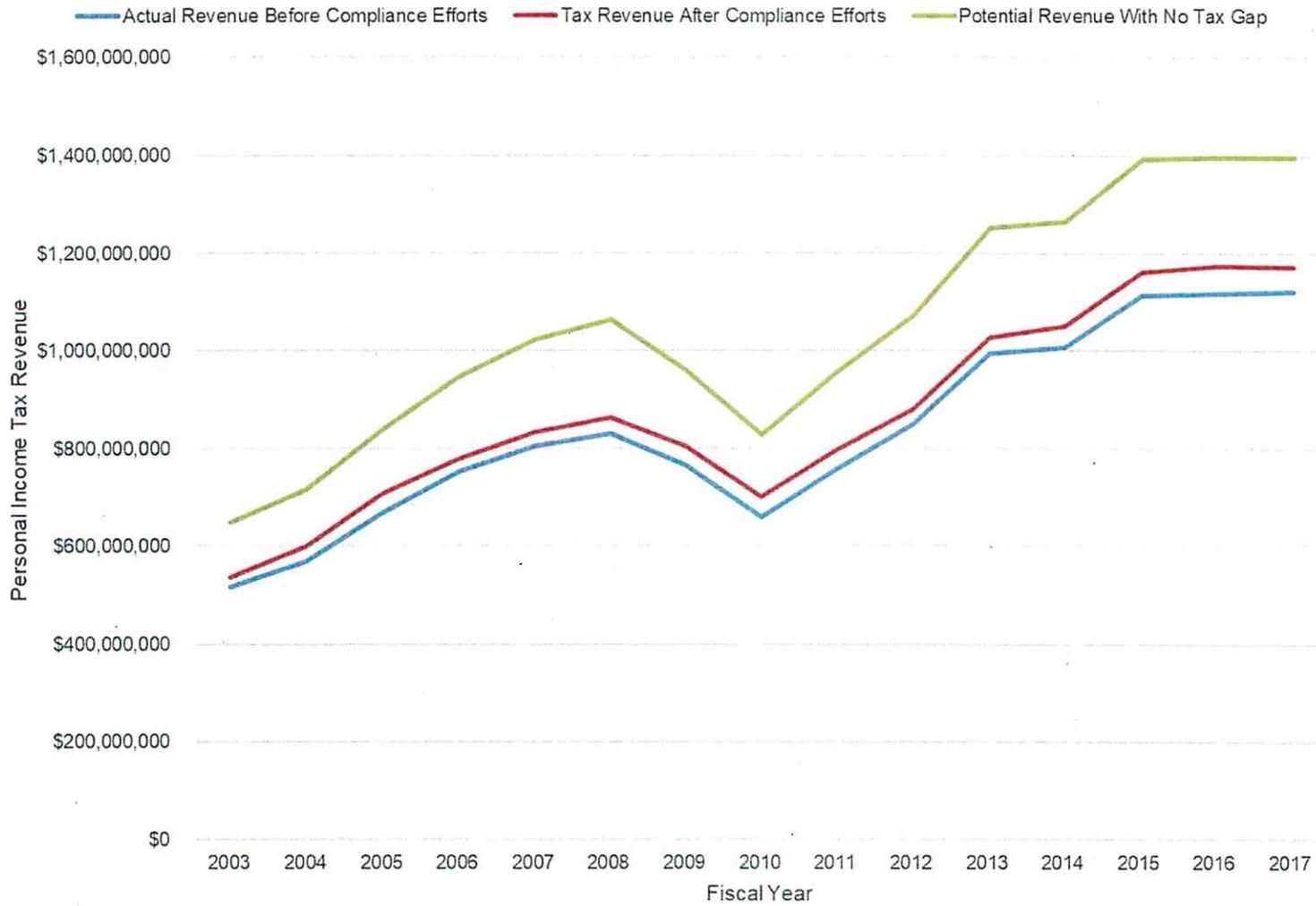
Federal Tax Gap

Figure 3
National Average Annual Federal Underreporting Individual Income Tax Gap By Income Source, 2008 - 2010
(Billions of Dollars)

Tax Return Line Items	Total Tax Revenue Due	Reported Tax Revenue	Tax Gap	Net Misreporting Percentage
Gross Tax Gap			\$458	
Individual Income Tax Underreporting Tax Gap	\$1,200	\$936	\$264	22%
Wages, salaries, tips	\$500	\$495	\$5	1%
Interest income	\$33	\$32	\$1	3%
Dividend income	\$14	\$13	\$1	7%
State income tax refunds	\$8	\$7	\$1	13%
Pensions & annuities	\$125	\$120	\$5	4%
Unemployment Compensation	\$17	\$16	\$1	6%
Taxable Social Security benefits	\$37	\$30	\$7	19%
Partnership, S-Corp, Estate & Trust, etc	\$138	\$116	\$22	16%
Capital gains	\$41	\$30	\$11	27%
Short-term	\$46	\$40	\$6	13%
Long-term	\$38	\$33	\$5	13%
Form 4797 income	\$10	\$6	\$4	42%
Other income	\$59	\$30	\$29	49%
Nonfarm proprietor income	\$122	\$44	\$78	64%
Farm income	\$7	\$2	\$5	71%
Rents & royalties	\$32	\$12	\$20	62%
Other Taxes	\$33	\$32	\$1	3%
Unallocated Marginal Effects			\$12	
Income Offsets (Adjustments, Deductions, Exemptions)	\$380	\$361	\$19	5%
Total Credits	\$154	\$114	\$40	26%
Filing Status			\$5	



Montana Personal Income Tax Revenue and Tax Gap Estimates Fiscal Years 2003 Through 2017



Compliance

Can we eliminate the “tax gap?”

- No
 - We can reduce it through compliance programs, but never eliminate
 - Active compliance is a balance between the rights of the taxpayer and the needs of the State of Montana.

If the state reduces the “tax gap” will it increase revenue without changing tax laws?

- Yes
 - Policy makers determine the amount of resources the department dedicates to active compliance through the budgeting process
 - Policy makers can change (update) tax laws to improve compliance



Compliance – Enforcement Activities

Identifying Non-Compliance:

- Data Cross-Matches
- Auditor Experience
- Tips from Outside Sources

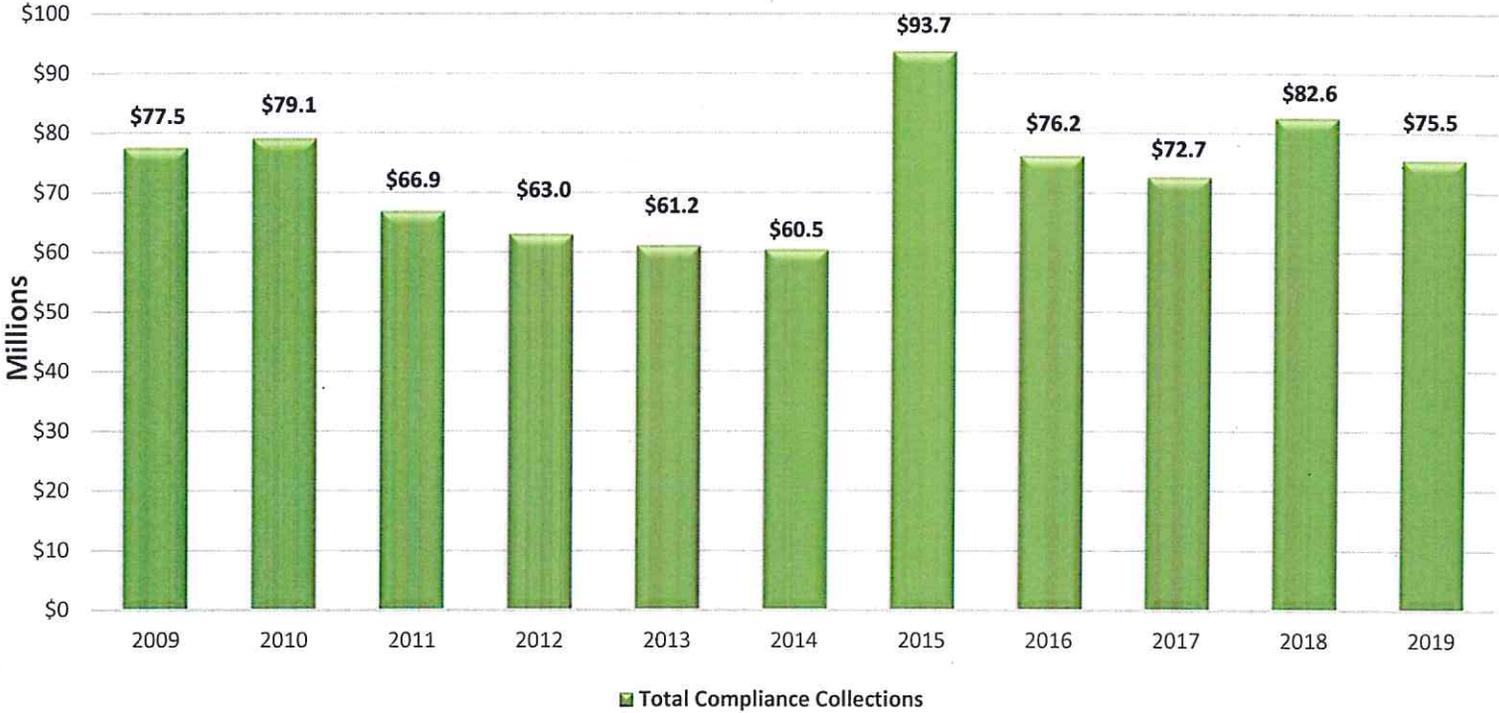
Audit Activities:

- Non-filers
- Underreporting of Income
- Disallowance of Deductions

Fraud Review



Compliance Collections All Tax Types



Thank You!

Questions?

