

5% Base Budget Reduction Form
[17-7-111-3\(f\)](#)

AGENCY CODE & NAME: 5801 Department of Revenue

		Minimum Requirement	
		General Fund	State Special Revenue Fund
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 2,754,864	\$ 49,497
Priority		General Fund Annual Savings	State Special Revenue Annual Savings
	SERVICE(S) TO BE ELIMINATED OR REDUCED		
1	DO-Personal Services Reduction	\$ 387,890	\$ 10,204
2	TSD-Personal Services & Operating Costs Reductions	\$ 448,320	\$ 4,193
3	IMCD-Personal Services & Operating Cost Reductions	\$ 290,363	\$ 2,674
4	BITD-Personal Services & Operating Cost Reductions	\$ 516,235	\$ 31,712
5	PAD-Personal Services Reduction	\$ 1,112,056	\$ 714
6			
7			
8			
9			
10			
11			
	TOTAL SAVINGS	\$ 2,754,864	\$ 49,497
	DIFFERENCE	0	0

Form A

5% Base Budget Reduction Form

AGENCY CODE & NAME: 5801 Department of Revenue

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduction in personal services. The Director's Office is a central services provider for the agency. A reduction in personal service funding will cause an inability to provide critical services, thereby negatively impacting the entire department, the public, local governments, tax preparers, and businesses.

#2 THE SAVINGS THAT ARE EXPECTED:

398,094.00

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Delays in the hiring process due to vacancy savings in the Director's Office will: (1) Result in slower response to information requests that will adversely affect the public's, legislators', and state and local governments' expectation of timely and accurate information; (2) Place the department's legal position at risk and impact timeliness in litigation, which impacts taxpayers and local and state governments dependent on timely resolution of litigation. It will have a direct impact on revenue collections; (3) Delay statutory-mandated distributions of tax revenue to state funds, local governments, and tribal governments, negatively impact the payment of department expenses on a timely basis, also preventing the department from meeting its obligations in closing the state's accounting records at fiscal year-end; (4) Jeopardize development and support of electronic filing services currently offered by the department.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

A reduction in personal services in the Directors' Office will reduce expectations for promptness of replies to information requests; reduce revenues due to the lack of prosecution and the timeliness of litigation matters; and lower the public's expectation of personal customer service. The department will need to communicate to individuals and businesses that they will experience slower services than they have been accustomed to due to a reduction in staffing and that the department will not be as responsive to the constantly-changing environment of electronic filing and payment services.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No statutory programs would be cut but public expectations for service levels extend well beyond the statutory services.

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduction in personal services and operating expenses, which includes temporary services. The Information Management and Collection Division (IMCD) provides various services for the agency. A reduction will significantly impact electronic filing, data capture, collections, and refunds, thereby negatively impacting the entire department, the public, local governments, tax preparers, and businesses.

#2 THE SAVINGS THAT ARE EXPECTED:

293,037.00

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reductions in personal services and operating expenses will jeopardize development and support of electronic filing services currently offered by the department. The reductions will result in delays in capturing data used for tax compliance and time-sensitive service to e-file vendors, taxpayers, tax preparers, and state and local governing bodies. Reductions in the IMCD Collections Bureau will result in a loss of revenue to the state. Based on past revenue collection, the lost revenue that would occur is estimated to be at least 5 times the value of the budget reduction resulting in approximately a \$1.5 million revenue loss per year. In addition, a reduction in the service levels provided would negatively impact tax compliance; frustrate taxpayers interacting with the department; delay income tax return and refund processing; and ultimately slow the deposit and distribution of state, local, and tribal government revenues. The department is unable to quantify the negative impacts of the reductions on voluntary compliance but expects the impacts to be substantial.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

If these reductions are made, the department will need to lower the public's expectation of timely income tax refunds and personal customer service. The department will need to communicate to individuals and businesses that they will experience slower services than they have been accustomed to due to reduction in staffing and operating expenses. The department will also need to communicate to the public and staff that the department will not be as responsive to the constantly-changing environment of electronic filing

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No statutory programs would be cut, but public expectations for service levels extend well beyond statutory requirements.

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 **BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reductions in personal services and operating. The Business and Income Taxes Division (BIT) conducts the department's compliance programs. Cuts in personal service and operating expenses will decrease BIT's ability to audit and compliance services thus limiting state and local revenues available to fund government services by several times the amount of expenditure cuts. A significant decrease will occur in the level of services provided to Montana citizens, local governments, tax preparers, and businesses - including delays in tax refunds to taxpayers and timeliness and accuracy of distributions to local governments and school districts.

#2 **THE SAVINGS THAT ARE EXPECTED:**

547,947.00

#3 **THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

Reductions will have a negative impact upon the department's ability to collect revenue for the state's general fund and for local governments. Based on the past revenue collection, the lost revenue that would occur is estimated to be at least 5 times the value of the budget reduction amounting to approximately a \$3 million revenue loss per year. The department is unable to quantify the negative impacts of the reductions on voluntary compliance but expects the impacts to be substantial.

#4 **HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

The will need to be a reduction of public expectations on the promptness of income tax refunds; investments in tax compliance work; and delayed efforts to modify existing business processes to meet the demands of evolving information technology services and electronic filing services.

#5 **WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

No statutory programs would be cut, but public expectations for service levels extend well beyond the statutory services.

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduction in personal services in the Property Assessment Division (PAD) represents 6% of the personal services budget or approximately 18 FTE. Personal services in PAD was significantly reduced during both of the last two biennium with FTE cuts. As a result, PAD was forced reduce the number of field offices and may need to reduce hours or close more offices if personal services are cut ,further negatively impacting prompt and personal service to taxpayers and local governments.

#2 THE SAVINGS THAT ARE EXPECTED:

\$1,112,770.00

#3

THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Additional delays in the hiring process due to vacancy savings and the overall reduction in PAD staff continue to impact the division's ability to accurately value property that generates nearly \$1.5 billion in annual revenue for state, schools, and local governments. About 20% of that amount is annually deposited in the state's general fund and the remaining 80% is for local government operations. PAD certifies taxable values to over 1,400 taxing jurisdictions and generates the appraisals for the 800,000 tax bills generated by county treasurers. A reduction in staff impacts the division's work for the state, schools, and local governments, hampering timeliness of that information to local governments and the legislature. The reduction in resources will limit the data collection of sales that are imperative for accurate mass appraisal and delay adding newly-taxable property. This in turn reduces new revenue for local governments.

PAD has already reduced the number of field offices and may need to reduce hours or close more offices if the proposed reductions are made. Local governments will be primarily impacted by reduction in staff. The following are examples of the risks to our work and the impact of not having enough staff to complete our work:

- (1) Fewer resources to appraise and add new construction values on the tax rolls resulting in less newly-taxable property for local government operations;
- (2) Fewer onsite property visits by appraisers to verify and record up-to-date and accurate property characteristics data
- (3) Fewer resources to verify sales impacts on the quality and quantity of sales which is imperative for accurate mass appraisal of all Montana property;
- (4) Fewer resources to complete ownership changes and land splits that need to be completed prior to tax billing, resulting in property tax bill potentially being mailed to a wrong party or previous owner, increasing the potential for delinquent property taxes and additional property appeals; and
- (5) Impacting the department's services to other agencies, such as water rights clean up to DNRC, DNRC cabin site lease values, DNRC Fire protection data, MonTax mill levy data, Montana Association of Soil Conservation data and Department of Livestock per capita fee data.

Reducing PAD's resources will limit the implementation of new technology that enhances parcel identification and maintenance. This will adversely impact state and federal agencies, nonprofits, local organizations, citizens, and private companies that use and depend on this data.

Not providing quality valuation reduces our reliability. Therefore, values of residential, commercial, industrial, and centrally assessed properties may not be reflective of the current market and would likely increase appeals and litigation costs.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Reduce expectations of taxpayers and local governments for the timeliness and accuracy they have become accustomed to. Reduce number and frequency of onsite visits to properties by appraisers. Slow down/delay testing and implementing of new technologies

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

Yes. Statutorily required. Property tax is the primary source of revenue for state and local governments.

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME:

#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:

Reduction of personal services and operating costs. The Technology Services Division (TSD) is a central services provider for the agency. A reduction in its funding will cause an inability to provide critical services, thereby negatively impacting the entire department, the public, local governments, tax preparers, and businesses. These reductions will adversely affect Montana citizens by slowing the processing of tax returns, putting IT software systems at higher risk of security breaches and instability, and diminish the overall efficiency of tax administration to the public, including online/electronic tax filing services.

#2 THE SAVINGS THAT ARE EXPECTED:

452,513.00

#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:

Reductions in TSD will result in slower response to information requests, negatively impact tax processing services and the soundness of our ,tax information systems. Slower response to information requests will adversely affect the public's, legislators', and state and local governments' expectation of timely and accurate information. Fewer IT staff will directly affect tax revenues due to the inability to resolve systems errors, implement enhancements, and counteract increased security risks. The department currently has a bare bones IT staff. The skills and training for maintaining a complex state income tax, property assessment, and alcoholic beverages systems are extremely specialized. The loss of any positions in this unit will jeopardize the state's financial position and increase the potential for security breaches. Technology is critical in any modern organization, more so when budgets are tight and there is a need to do more with less. This means agency staff will be required to become more efficient more productive. This is only possibly through the use of technology, which requires at the very least maintaining current IT resource levels and preferably, increasing them.

#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:

Reduce the expectations for prompt responses to information requests. Convey that there will be a higher risk associated with not being able to provide timely fixes to system issues or the ability of enhancements to department's IT systems.

#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:

No statutory programs would be cut but public expectations for service levels extend well beyond the statutory services.