

DEPARTMENT OF TAXATION AND FINANCE

MISSION

The Department of Taxation and Finance administers the State's taxes and related local taxes and manages the State Treasury. In fulfilling its responsibilities under the State's Tax Laws, the Department collects approximately \$38.3 billion in State revenue and approximately \$22.2 billion in local taxes, including New York City and the City of Yonkers income taxes, on behalf of municipalities.

ORGANIZATION AND STAFFING

The Department is headed by a Commissioner who is appointed by the Governor and confirmed by the Senate. It fulfills its mission through 11 programs: Administration, Revenue Support, Office of the Counsel, Tax Policy and Analysis, Tax Enforcement, Tax Compliance, Treasury Management, Audit, Revenue and Information Management, Taxpayer Services and the Office of Conciliation and Mediation. The Department of Taxation and Finance will have a workforce of 5,410 positions in 2001-02, of which 4,986 will be funded by State tax dollars in the General Fund.

FISCAL BACKGROUND AND BUDGET HIGHLIGHTS

In 2001-02, the Department will be financed primarily with State tax dollars from the General Fund, which support its revenue generation, collection, and administration programs. The Executive Budget recommends \$412.5 million to support the Department's operating budget. This amount includes \$303 million in General Fund support, which will finance 73.5 percent of the Department's operations, and which will be supplemented by fee income of \$40.1 million and Federal funding of \$572,000. Fee income will support costs associated with the collection of personal income taxes for New York City, and financial and investment services for certain State agencies and public benefit corporations. The Budget further recommends \$68.9 million for the Banking Services Fund. The Fund pays banking institutions for certain services related to administering personal income and other taxes.

PROGRAM HIGHLIGHTS

Tax and Finance Department employees are responsible for providing equitable and efficient service to taxpayers. The Department is organized along functional lines to support a high level of taxpayer service:

- **Administration:** This program includes the Department's central policy direction and oversight functions. Activities include fiscal management, human resources/payroll, internal audit, management services and public information.
- **Revenue Support:** This program provides essential support services for the Department, including managing office and warehouse space, developing and printing tax forms and instructions, and mailing tax liability notices, refunds and other tax forms.
- **Office of the Counsel:** This Office prepares regulations, interprets statutes, manages litigation, and drafts and reviews proposed legislation. The Office is involved in resolving taxpayer protests and litigation, and maintains coordination between the Department, the Department of Law and the Division of Tax Appeals.

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- **Tax Policy and Analysis:** This program estimates the revenues expected to be produced by each tax, assesses the impact of different tax structures and tax proposals on the State's economy, reviews tax policies and legislation, and prepares descriptive and analytical studies.
- **Tax Enforcement:** This program identifies and investigates alleged evasion of the State tax code. Staff assigned to this program work with Federal, State and local law enforcement officials in the prosecution of tax fraud and tax evasion cases.
- **Tax Compliance:** This is the State's largest accounts receivable program, collecting delinquent State and local taxes. Computer-generated billings and an automated telephone collection system are used in collection activities.
- **Audit:** The Audit Division ensures that voluntarily remitted taxes are accurate and complete. The Division plans, conducts and evaluates desk and field audits, increasingly with the aid of technology.
- **Revenue and Information Management:** This program contains the Department's information management, tax processing and tax accounting functions. It supports the collection of an estimated \$60.5 billion in State and local voluntary and non-voluntary tax collections.
- **Taxpayer Services:** This program assists taxpayers in fulfilling their tax obligations by developing and distributing tax information, advice and instructions.
- **Office of Conciliation and Mediation:** This program offers taxpayers the option of informally resolving disputes with the Department.

**ALL FUNDS
APPROPRIATIONS
(dollars)**

<u>Category</u>	<u>Available 2000-01</u>	<u>Appropriations Recommended 2001-02</u>	<u>Change</u>	<u>Reappropriations Recommended 2001-02</u>
State Operations	406,628,000	412,479,000	5,851,000	0
Aid To Localities	750,000	750,000	0	0
Capital Projects	0	0	0	0
Total	<u>407,378,000</u>	<u>413,229,000</u>	<u>5,851,000</u>	<u>0</u>

TAXATION AND FINANCE

ALL FUND TYPES PROJECTED LEVELS OF EMPLOYMENT BY PROGRAM FILLED ANNUAL SALARIED POSITIONS

Full-Time Equivalent Positions (FTE)			
Program	2000-01 Estimated FTEs 03/31/01	2001-02 Estimated FTEs 03/31/02	FTE Change
Administration			
General Fund	93	92	(1)
Audit			
General Fund	1,945	1,918	(27)
Office of Conciliation and Mediation			
General Fund	35	35	0
Counsel			
General Fund	77	76	(1)
Tax Policy and Analysis			
General Fund	35	35	0
Revenue and Information Management			
General Fund	1,655	1,632	(23)
Special Revenue Funds - Other	379	379	0
Revenue Support Services			
General Fund	70	69	(1)
Tax Compliance			
General Fund	821	809	(12)
Tax Enforcement			
General Fund	192	189	(3)
Special Revenue Funds - Federal	9	9	0
Taxpayer Services			
General Fund	133	131	(2)
Treasury Management			
Special Revenue Funds - Other	36	36	0
Total	5,480	5,410	(70)

STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE APPROPRIATIONS (dollars)

Fund Type	Available 2000-01	Recommended 2001-02	Change
General Fund	301,620,000	302,960,000	1,340,000
Special Revenue Funds - Federal	500,000	572,000	72,000
Special Revenue Funds - Other	36,533,000	40,061,000	3,528,000
Internal Service Funds	67,975,000	68,886,000	911,000
Total	406,628,000	412,479,000	5,851,000
Adjustments:			
Transfer(s) From			
Special Pay Bill			
General Fund	(20,428,000)		
Special Revenue Funds - Other	(165,000)		
Appropriated 2000-01	386,035,000		

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STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM APPROPRIATIONS (dollars)

<u>Program</u>	<u>Available 2000-01</u>	<u>Recommended 2001-02</u>	<u>Change</u>
Administration			
General Fund	6,981,300	5,609,000	(1,372,300)
Audit			
General Fund	107,165,600	109,603,000	2,437,400
Banking Services			
Internal Service Funds	67,975,000	68,886,000	911,000
Office of Conciliation and Mediation			
General Fund	2,155,200	2,326,000	170,800
Counsel			
General Fund	5,229,400	5,184,000	(45,400)
Tax Policy and Analysis			
General Fund	2,136,600	2,230,000	93,400
Revenue and Information Management			
General Fund	91,081,100	89,405,000	(1,676,100)
Special Revenue Funds - Other	32,514,000	32,907,000	393,000
Revenue Support Services			
General Fund	31,271,000	32,811,000	1,540,000
Tax Compliance			
General Fund	31,875,900	33,006,000	1,130,100
Special Revenue Funds - Other	2,000,000	5,000,000	3,000,000
Tax Enforcement			
General Fund	12,964,000	12,836,000	(128,000)
Special Revenue Funds - Federal	500,000	572,000	72,000
Taxpayer Services			
General Fund	10,759,900	9,950,000	(809,900)
Treasury Management			
Special Revenue Funds - Other	<u>2,019,000</u>	<u>2,154,000</u>	<u>135,000</u>
Total	<u>406,628,000</u>	<u>412,479,000</u>	<u>5,851,000</u>

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**STATE OPERATIONS - GENERAL FUND
SUMMARY OF PERSONAL SERVICE APPROPRIATIONS AND CHANGES
2001-02 RECOMMENDED
(dollars)**

Program	Total Personal Service		Personal Service Regular (Annual Salaried)	
	Amount	Change	Amount	Change
Administration	5,200,000	(1,372,300)	5,158,000	(1,376,300)
Audit	92,868,000	2,231,400	91,819,000	2,147,400
Office of Conciliation and Mediation	2,231,000	170,800	2,213,000	170,800
Counsel	5,056,000	(45,400)	4,814,000	(67,400)
Tax Policy and Analysis	2,207,000	93,400	2,115,000	85,400
Revenue and Information Management	64,731,000	(1,719,100)	61,339,000	(2,053,100)
Revenue Support Services	4,450,000	(55,000)	3,901,000	(105,000)
Tax Compliance	31,340,000	1,130,100	31,287,000	1,127,100
Tax Enforcement	10,215,000	(128,000)	10,178,000	(131,000)
Taxpayer Services	7,502,000	(918,900)	6,436,000	(1,011,900)
Total	<u>225,800,000</u>	<u>(613,000)</u>	<u>219,260,000</u>	<u>(1,214,000)</u>

Program	Temporary Service (Nonannual Salaried)		Holiday/Overtime Pay (Annual Salaried)	
	Amount	Change	Amount	Change
Administration	0	0	42,000	4,000
Audit	919,000	77,000	130,000	7,000
Office of Conciliation and Mediation	0	0	18,000	0
Counsel	236,000	21,000	6,000	1,000
Tax Policy and Analysis	89,000	8,000	3,000	0
Revenue and Information Management	2,738,000	270,000	654,000	64,000
Revenue Support Services	546,000	50,000	3,000	0
Tax Compliance	0	0	53,000	3,000
Tax Enforcement	25,000	2,000	12,000	1,000
Taxpayer Services	1,061,000	92,000	5,000	1,000
Total	<u>5,614,000</u>	<u>520,000</u>	<u>926,000</u>	<u>81,000</u>

TAXATION AND FINANCE

**STATE OPERATIONS - GENERAL FUND
SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED
APPROPRIATIONS AND CHANGES
2001-02 RECOMMENDED
(dollars)**

Program	Total Nonpersonal Service		Supplies and Materials	
	Amount	Change	Amount	Change
Administration	409,000	0	291,000	0
Audit	16,735,000	206,000	32,000	0
Office of Conciliation and Mediation	95,000	0	4,000	0
Counsel	128,000	0	8,000	0
Tax Policy and Analysis	23,000	0	5,000	0
Revenue and Information Management	24,674,000	43,000	1,777,000	0
Revenue Support Services	28,361,000	1,595,000	159,000	8,000
Tax Compliance	1,666,000	0	279,000	0
Tax Enforcement	2,621,000	0	17,000	0
Taxpayer Services	2,448,000	109,000	74,000	3,000
Total	77,160,000	1,953,000	2,646,000	11,000

Program	Travel		Contractual Services	
	Amount	Change	Amount	Change
Administration	5,000	0	74,000	0
Audit	4,249,000	53,000	11,279,000	138,000
Office of Conciliation and Mediation	70,000	0	21,000	0
Counsel	30,000	0	88,000	0
Tax Policy and Analysis	6,000	0	10,000	0
Revenue and Information Management	116,000	0	20,230,000	0
Revenue Support Services	6,000	0	28,196,000	1,587,000
Tax Compliance	604,000	0	141,000	0
Tax Enforcement	923,000	0	1,551,000	0
Taxpayer Services	11,000	1,000	2,360,000	105,000
Total	6,020,000	54,000	63,950,000	1,830,000

Program	Equipment		Maintenance Undistributed	
	Amount	Change	Amount	Change
Administration	39,000	0	0	0
Audit	1,175,000	15,000	0	0
Counsel	2,000	0	0	0
Tax Policy and Analysis	2,000	0	0	0
Revenue and Information Management	1,653,000	0	898,000	43,000
Tax Compliance	642,000	0	0	0
Tax Enforcement	130,000	0	0	0
Taxpayer Services	3,000	0	0	0
Total	3,646,000	15,000	898,000	43,000

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**STATE OPERATIONS - OTHER THAN GENERAL FUND
SUMMARY OF APPROPRIATIONS AND CHANGES
2001-02 RECOMMENDED
(dollars)**

<u>Program</u>	<u>Total</u>		<u>Personal Service</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Banking Services	68,886,000	911,000	0	0
Revenue and Information Management	32,907,000	393,000	17,680,000	1,258,000
Tax Compliance	5,000,000	3,000,000	0	0
Tax Enforcement	572,000	72,000	0	0
Treasury Management	2,154,000	135,000	1,442,000	97,000
Total	<u>109,519,000</u>	<u>4,511,000</u>	<u>19,122,000</u>	<u>1,355,000</u>

<u>Program</u>	<u>Nonpersonal Service</u>		<u>Maintenance Undistributed</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Banking Services	0	0	68,886,000	911,000
Revenue and Information Management	15,227,000	(865,000)	0	0
Tax Compliance	5,000,000	3,000,000	0	0
Tax Enforcement	0	0	572,000	72,000
Treasury Management	712,000	38,000	0	0
Total	<u>20,939,000</u>	<u>2,173,000</u>	<u>69,458,000</u>	<u>983,000</u>

**AID TO LOCALITIES
ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE
APPROPRIATIONS
(dollars)**

<u>Fund Type</u>	<u>Available 2000-01</u>	<u>Recommended 2001-02</u>	<u>Change</u>
General Fund	750,000	750,000	0
Total	<u>750,000</u>	<u>750,000</u>	<u>0</u>

**AID TO LOCALITIES
ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM
APPROPRIATIONS
(dollars)**

<u>Program</u>	<u>Available 2000-01</u>	<u>Recommended 2001-02</u>	<u>Change</u>
Administration			
General Fund	750,000	750,000	0
Total	<u>750,000</u>	<u>750,000</u>	<u>0</u>

DIVISION OF TAX APPEALS

MISSION

The Division of Tax Appeals provides taxpayers with a system of due process for resolving disputes with the Department of Taxation and Finance. The separation of tax administration from tax adjudication promotes the impartial and timely hearing of taxpayer disputes.

ORGANIZATION AND STAFFING

The Division of Tax Appeals is headed by the Tax Appeals Tribunal, which is comprised of three commissioners appointed by the Governor and confirmed by the Senate. Under the direction of the Tax Tribunal, dispute adjudication is provided through small claims hearings, formal hearings and the Tribunal appeals process. The Division holds formal hearings and Tax Tribunal oral arguments in Troy, New York City, Buffalo, Rochester, Hempstead and Hauppauge, while small claims hearings are conducted throughout the State. The Division will have a workforce of 36 positions for 2001-02.

FISCAL BACKGROUND AND BUDGET HIGHLIGHTS

The Division's activities are supported entirely with State tax dollars, which finance the Tribunal's staff and other expenses such as rent and supplies.

The Executive Budget recommends \$3.454 million in annual General Fund support for the Division. This recommendation will enable the Tribunal to continue to provide for the timely resolution of taxpayer disputes with the Department of Taxation and Finance.

PROGRAM HIGHLIGHTS

The Division's hearing process has been substantially improved in recent years to benefit taxpayers. These improvements have allowed taxpayers more flexibility in scheduling hearings, thus minimizing delays caused by sudden cancellations.

Since January 1997, the Division has conducted formal hearings in New York City to provide easier access for taxpayers in the New York City metropolitan area. Recently, the Division expanded this initiative to Buffalo, Rochester, Hempstead and Hauppauge. At these locations, the Division utilizes existing State office space, thus providing improved service at nominal additional cost.

ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2000-01	Appropriations Recommended 2001-02	Change	Reappropriations Recommended 2001-02
State Operations	3,407,000	3,454,000	47,000	0
Aid To Localities	0	0	0	0
Capital Projects	0	0	0	0
Total	<u>3,407,000</u>	<u>3,454,000</u>	<u>47,000</u>	<u>0</u>

TAX APPEALS

ALL FUND TYPES PROJECTED LEVELS OF EMPLOYMENT BY PROGRAM FILLED ANNUAL SALARIED POSITIONS

Full-Time Equivalent Positions (FTE)

<u>Program</u>	<u>2000-01 Estimated FTEs 03/31/01</u>	<u>2001-02 Estimated FTEs 03/31/02</u>	<u>FTE Change</u>
Administration			
General Fund	37	36	(1)
Total	<u>37</u>	<u>36</u>	<u>(1)</u>

STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE APPROPRIATIONS (dollars)

<u>Fund Type</u>	<u>Available 2000-01</u>	<u>Recommended 2001-02</u>	<u>Change</u>
General Fund	3,407,000	3,454,000	47,000
Total	<u>3,407,000</u>	<u>3,454,000</u>	<u>47,000</u>

Adjustments:

Transfer(s) From	
Special Pay Bill	
General Fund	<u>(231,000)</u>
Appropriated 2000-01	<u>3,176,000</u>

STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM APPROPRIATIONS (dollars)

<u>Program</u>	<u>Available 2000-01</u>	<u>Recommended 2001-02</u>	<u>Change</u>
Administration			
General Fund	3,407,000	3,454,000	47,000
Total	<u>3,407,000</u>	<u>3,454,000</u>	<u>47,000</u>

STATE OPERATIONS - GENERAL FUND SUMMARY OF PERSONAL SERVICE APPROPRIATIONS AND CHANGES 2001-02 RECOMMENDED (dollars)

<u>Program</u>	<u>Total Personal Service</u>		<u>Personal Service Regular (Annual Salaried)</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Administration	2,959,000	47,000	2,787,000	44,000
Total	<u>2,959,000</u>	<u>47,000</u>	<u>2,787,000</u>	<u>44,000</u>

<u>Program</u>	<u>Temporary Service (Nonannual Salaried)</u>	
	<u>Amount</u>	<u>Change</u>
Administration	172,000	3,000
Total	<u>172,000</u>	<u>3,000</u>

**STATE OPERATIONS - GENERAL FUND
SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED
APPROPRIATIONS AND CHANGES
2001-02 RECOMMENDED
(dollars)**

Program	Total Nonpersonal Service		Supplies and Materials	
	Amount	Change	Amount	Change
Administration	495,000	0	38,000	0
Total	<u>495,000</u>	<u>0</u>	<u>38,000</u>	<u>0</u>
Program	Travel		Contractual Services	
	Amount	Change	Amount	Change
Administration	55,000	0	344,000	0
Total	<u>55,000</u>	<u>0</u>	<u>344,000</u>	<u>0</u>
Program	Equipment			
	Amount	Change		
Administration	58,000	0		
Total	<u>58,000</u>	<u>0</u>		