

DEPARTMENT OF TAXATION AND FINANCE

MISSION

Collect tax revenue and provide associated services in support of government operations in New York State.

VISION

An agency that provides a fair system of tax administration, is accessible and responsive to taxpayers, and contributes to a favorable economic climate.

OPERATING HIGHLIGHTS

- Collects and accounts for more than \$47 billion and \$31 billion in State and local taxes, respectively, on an annual basis;
- Administers 37 State and 7 local taxes, including New York City and City of Yonkers income taxes;
- Processes nearly 25 million returns, registrations, and associated documents on an annual basis;
- Manages the State Treasury, which provides investment and cash management services to various State agencies and public benefit corporations, and acts on the Tax Commissioner's behalf as joint custodian of the State's General Checking Account;
- Operates with a budget of more than \$433 million and a workforce of 4,776 full time equivalent employees; and
- Implements the e-MPIRE integrated tax system, an automated system that ensures the most efficient and effective means for tax collections.

ENVIRONMENTAL CHALLENGES AND OPPORTUNITIES

- **Threats to Voluntary Compliance.** The Tax Department remains concerned about the variance between taxes owed and taxes paid. The Department will continue to leverage sophisticated audit, collection, and enforcement techniques, advanced technology tools, and expanded taxpayer / practitioner educational opportunities to induce taxpayers to pay the correct amount of tax timely.
- **Aging Workforce / Succession Management.** The Tax Department continues to experience heavy attrition of its aging workforce. To meet this challenge, the Department will:
 - Continue its management development initiative to plan for succession;
 - Continue training programs and opportunities for staff; and
 - Fully utilize existing personnel assets through reorganization, reclassification, and redeployment.
- **Technology.** The Department will continue to invest in technology infrastructure and personnel to maximize tax collections.

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KEY AGENCY STRATEGIES

The Department's Strategic Goal is for **all taxpayers to voluntarily pay the correct tax timely**. To achieve this goal, the Department will focus on three core strategies:

- Improve processing of taxpayer information, returns, and payments;
- Enhance customer service; and
- Improve and better coordinate audit, collection, and criminal enforcement activities.

ACTIONS TO IMPLEMENT KEY AGENCY STRATEGIES

Improve processing of taxpayer information, returns, and payments.

The Department annually processes millions of documents. Due to the immense scale of its operations, even minute processing improvements have the potential to generate considerable benefits in effectiveness and efficiency. The following examples are illustrative of the types of actions the Department will pursue in furtherance of this strategy:

Action	Performance indicators
➤ Expand e-filing and e-payment participation.	<ul style="list-style-type: none">• Increase e-filing and 2-D bar coding (i.e., electronic scanning) of personal income tax returns by 25 percent over 2005-06 levels.• Increase the percentage of tax revenue received in 2006-07 (versus 2005-06) via electronic funds transfer.• Implement Corporation Tax e-filing by January 31, 2007.• Implement mandatory electronic filing for tax practitioners by March 31, 2007.
➤ Improve exceptions (e.g. unsigned return) processes, including timely resolution.	<ul style="list-style-type: none">• Minimize exception rates for all tax types through systems improvements.• Maintain an average age of exception inventories at or below respective tax target levels — i.e.; Personal Income - 45 days; Corporation - 60 days; Sales - 60 days; and Withholding - 60 days.

Enhance customer service.

Providing taxpayers and tax practitioners with top-quality customer service is critical to supporting and promoting voluntary compliance. The following examples are illustrative of the types of actions the Department will pursue in furtherance of this strategy:

Action	Performance indicators
<ul style="list-style-type: none"> ➤ Provide timely, accurate, and simplified forms, instructions, and publications. 	<ul style="list-style-type: none"> • Issue annual tax forms and instructions on time with 100 percent accuracy in 2006-07. • Implement a phased redesign and simplification of forms and instructions, beginning with non-resident income tax return instructions by March 31, 2007. • Issue new industry-specific sales tax publications by March 31, 2007. • Develop new written guidance that will provide clarification to the taxpayer community on significant outstanding policy issues by March 31, 2007.
<ul style="list-style-type: none"> ➤ Issue timely, accurate, and understandable notices and advice. 	<p>In 2006-07:</p> <ul style="list-style-type: none"> • Issue taxpayer guidance on Tax Law changes at least 30 days prior to effective date, or if retroactive, within 6 weeks of being informed of the change. • Issue advisory opinions within 90 days of receiving a completed petition. • Prepare 100 percent of fiscal notes within 4 weeks of request.
<ul style="list-style-type: none"> ➤ Improve service options, emphasizing self-help and e-service taxpayer alternatives. 	<ul style="list-style-type: none"> • Implement a prototype State-Wide Authentication Network (SWAN) allowing the Department to offer a single authentication / authorization solution for all its e-service offerings by March 31, 2007. <p>In 2006-07:</p> <ul style="list-style-type: none"> • Maintain or improve 5 minute average for answering personal Income Tax telephone inquiries during peak processing periods. • Maintain or improve 90 percent average quality score in the annual Call Center Quality Review.

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Improve and better coordinate audit, collection, and criminal enforcement activities.

Unfortunately, not all taxpayers comply with their tax obligations voluntarily or timely. Effective and coordinated audit, collection, and criminal enforcement activities – which detect and deter taxpayer error, civil noncompliance, and criminal tax evasion while generating revenue – are fundamental to the Department’s voluntary compliance model. The following examples are illustrative of the types of actions the Department will pursue in furtherance of this strategy:

Action	Performance indicators
➤ Develop methodologies to increase the rate of collections.	<ul style="list-style-type: none">• Exceed the 2006-07 Collection Plan target of \$1.1 billion.• Develop the Case Identification Selection System, a collections support system that utilizes a data warehouse to access, analyze, interpret and score collection cases based on potential revenue, by March 31, 2007.• Implement reciprocal refund intercept agreement with New York City and other state revenue agencies by March 31, 2007.
➤ Improve audit selection and accelerate the audit cycle.	<ul style="list-style-type: none">• Exceed the 2006-07 Audit Plan target of \$1.8 billion.• Expand utilization of AuditStat, the Department’s analysis and accountability program that relies on statistical analyses to assess and improve the performance of audit activities during 2006-07.• Increase the number of civil and / or criminal cases opened in 2006-07 (versus 2005-06) as a result of the joint Audit and Enforcement Compliance Intelligence Assessment (CIA) initiative, which utilizes data analysis tools to identify areas and patterns of non-compliance.

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ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2005-06	Appropriations Recommended 2006-07	Change	Reappropriations Recommended 2006-07
State Operations	418,202,000	433,136,000	14,934,000	0
Aid To Localities	0	0	0	0
Capital Projects	0	0	0	0
Total	<u>418,202,000</u>	<u>433,136,000</u>	<u>14,934,000</u>	<u>0</u>

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

Full-Time Equivalent Positions (FTE)

Program	2005-06 Estimated FTEs 03/31/06	2006-07 Estimated FTEs 03/31/07	FTE Change
Audit, Collection and Enforcement			
General Fund	2,327	2,337	10
Centralized Operations Support			
General Fund	122	122	0
Office of Conciliation and Mediation			
General Fund	25	25	0
Management, Administration and Counsel			
General Fund	253	253	0
Revenue Processing and Reconciliation			
General Fund	919	919	0
Special Revenue Funds - Other	396	396	0
Tax Policy, Revenue Accounting and Taxpayer Guidance			
General Fund	176	176	0
Technology and Information Services			
General Fund	504	504	0
Treasury Management			
Special Revenue Funds - Other	44	44	0
Total	<u>4,766</u>	<u>4,776</u>	<u>10</u>

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

Fund Type	Available 2005-06	Recommended 2006-07	Change
General Fund	311,584,000	333,452,000	21,868,000
Special Revenue Funds - Federal	500,000	582,000	82,000
Special Revenue Funds - Other	44,591,000	46,000,000	1,409,000
Internal Service Funds	61,527,000	53,102,000	(8,425,000)
Total	<u>418,202,000</u>	<u>433,136,000</u>	<u>14,934,000</u>

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

Program	Available 2005-06	Recommended 2006-07	Change
Audit, Collection and Enforcement			
General Fund	151,466,000	120,434,000	(31,032,000)
Special Revenue Funds - Federal	500,000	582,000	82,000
Special Revenue Funds - Other	4,000,000	4,000,000	0
Centralized Operations Support			
General Fund	32,852,000	41,648,000	8,796,000
Office of Conciliation and Mediation			
General Fund	2,239,000	1,721,000	(518,000)
Management, Administration and Counsel			
General Fund	10,389,000	19,739,000	9,350,000
Revenue Processing and Reconciliation			
General Fund	36,265,000	43,533,000	7,268,000
Special Revenue Funds - Other	37,889,000	39,236,000	1,347,000
Internal Service Funds	61,527,000	53,102,000	(8,425,000)
Tax Policy, Revenue Accounting and Taxpayer Guidance			
General Fund	11,559,000	12,948,000	1,389,000
Technology and Information Services			
General Fund	66,814,000	93,429,000	26,615,000
Treasury Management			
Special Revenue Funds - Other	2,702,000	2,764,000	62,000
Total	418,202,000	433,136,000	14,934,000

STATE OPERATIONS - GENERAL FUND SUMMARY OF PERSONAL SERVICE APPROPRIATIONS AND CHANGES 2006-07 RECOMMENDED (dollars)

Program	Total		Personal Service Regular (Annual Salaried)	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	112,600,000	(17,560,000)	111,615,000	(17,406,000)
Centralized Operations Support	5,644,000	1,362,000	4,920,000	1,187,000
Office of Conciliation and Mediation	1,630,000	(517,000)	1,616,000	(513,000)
Management, Administration and Counsel	15,361,000	5,492,000	14,919,000	5,334,000
Revenue Processing and Reconciliation	41,878,000	5,630,000	40,750,000	5,478,000
Tax Policy, Revenue Accounting and Taxpayer Guidance	10,352,000	1,010,000	9,069,000	885,000
Technology and Information Services	30,683,000	4,644,000	29,555,000	4,492,000
Total	218,148,000	61,000	212,444,000	(543,000)

Program	Temporary Service (Nonannual Salaried)		Holiday/Overtime Pay (Annual Salaried)	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	816,000	(128,000)	169,000	(26,000)
Centralized Operations Support	720,000	174,000	4,000	1,000
Office of Conciliation and Mediation	0	0	14,000	(4,000)
Management, Administration and Counsel	367,000	131,000	75,000	27,000
Revenue Processing and Reconciliation	750,000	101,000	378,000	51,000
Tax Policy, Revenue Accounting and Taxpayer Guidance	1,274,000	124,000	9,000	1,000
Technology and Information Services	750,000	101,000	378,000	51,000
Total	4,677,000	503,000	1,027,000	101,000

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STATE OPERATIONS - GENERAL FUND SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED APPROPRIATIONS AND CHANGES 2006-07 RECOMMENDED (dollars)

Program	Total		Supplies and Materials	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	7,834,000	(13,472,000)	269,000	(453,000)
Centralized Operations Support	36,004,000	7,434,000	194,000	40,000
Office of Conciliation and Mediation	91,000	(1,000)	3,773	(100)
Management, Administration and Counsel	4,378,000	3,858,000	2,438,450	2,149,000
Revenue Processing and Reconciliation	1,655,000	1,638,000	655,000	638,000
Tax Policy, Revenue Accounting and Taxpayer Guidance	2,596,000	379,000	89,600	13,000
Technology and Information Services	62,746,000	21,971,000	3,588,000	2,085,000
Total	115,304,000	21,807,000	7,237,823	4,471,900

Program	Travel		Contractual Services	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	2,116,000	(3,640,000)	4,578,000	(7,879,000)
Centralized Operations Support	7,300	1,500	35,802,700	7,392,500
Office of Conciliation and Mediation	67,090	(700)	20,137	(200)
Management, Administration and Counsel	284,800	251,000	1,320,800	1,164,000
Revenue Processing and Reconciliation	0	0	0	0
Tax Policy, Revenue Accounting and Taxpayer Guidance	18,300	2,000	2,482,500	363,200
Technology and Information Services	145,000	46,000	53,918,000	17,110,000
Total	2,638,490	(3,340,200)	98,122,137	18,150,500

Program	Equipment		Maintenance Undistributed	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	871,000	(1,500,000)	0	0
Centralized Operations Support	0	0	0	0
Office of Conciliation and Mediation	0	0	0	0
Management, Administration and Counsel	333,950	294,000	0	0
Revenue Processing and Reconciliation	0	0	1,000,000	1,000,000
Tax Policy, Revenue Accounting and Taxpayer Guidance	5,600	800	0	0
Technology and Information Services	5,095,000	3,682,000	0	(952,000)
Total	6,305,550	2,476,800	1,000,000	48,000

STATE OPERATIONS - OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2006-07 RECOMMENDED (dollars)

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	4,582,000	82,000	0	0
Revenue Processing and Reconciliation	92,338,000	(7,078,000)	15,881,000	(39,000)
Treasury Management	2,764,000	62,000	1,743,000	70,000
Total	99,684,000	(6,934,000)	17,624,000	31,000

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	4,000,000	0	582,000	82,000
Revenue Processing and Reconciliation	76,457,000	54,488,000	0	(61,527,000)
Treasury Management	1,021,000	(8,000)	0	0
Total	81,478,000	54,480,000	582,000	(61,445,000)