

# **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 \$52 billion and \$33 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 \$435 million and a workforce of 4,966 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
<ul style="list-style-type: none"><li>➤ Expand e-filing and e-payment participation.</li></ul>	<ul style="list-style-type: none"><li>• <b>Increase</b> e-filing and 2-D bar coding (i.e., electronic scanning) of personal income tax returns by <b>20 percent</b> over 2006-07 levels.</li><li>• <b>Increase</b> the <b>percentage</b> of tax revenue received in 2007-08 (versus 2006-07) via electronic funds transfer.</li></ul>
<ul style="list-style-type: none"><li>➤ Improve exceptions (e.g. unsigned return) processes, including timely resolution.</li></ul>	<ul style="list-style-type: none"><li>• <b>Minimize</b> exception rates for all tax types through systems improvements.</li><li>• <b>Maintain</b> an average age of exception inventories at or below respective tax target levels — i.e.; Personal Income - <b>45 days</b>; Corporation - <b>60 days</b>; Sales - <b>60 days</b>; and Withholding - <b>60 days</b>.</li></ul>

### *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"><li>➤ Provide timely, accurate, and simplified forms, instructions, and publications.</li></ul>	<ul style="list-style-type: none"><li>• <b>Issue</b> annual tax forms and instructions <b>on time</b> with <b>100 percent</b> accuracy in 2007-08.</li><li>• <b>Issue</b> new <b>industry-specific</b> sales tax publications by March 31, 2008.</li><li>• <b>Develop</b> new written guidance that will provide <b>clarification</b> to the taxpayer community on significant outstanding policy issues by March 31, 2008.</li></ul>
<ul style="list-style-type: none"><li>➤ Issue timely, accurate, and understandable notices and advice.</li></ul>	<p>In 2007-08:</p> <ul style="list-style-type: none"><li>• <b>Issue</b> taxpayer guidance on Tax Law changes at least <b>30 days</b> prior to effective date, or if retroactive, within <b>6 weeks</b> of being informed of the change.</li><li>• <b>Issue</b> advisory opinions within <b>90 days</b> of receiving a completed petition.</li><li>• <b>Prepare 100 percent</b> of fiscal notes within <b>4 weeks</b> of request.</li></ul>

Action	Performance indicators
<ul style="list-style-type: none"><li>➤ Improve service options, emphasizing self-help and e-service taxpayer alternatives.</li></ul>	<p>In 2007-08:</p> <ul style="list-style-type: none"><li>• <b>Maintain or improve 5 minute average</b> for answering personal Income Tax telephone inquiries during peak processing periods.</li><li>• <b>Maintain or improve 90 percent average</b> quality score in the annual Call Center Quality Review.</li></ul>

## ***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
<ul style="list-style-type: none"><li>➤ Develop methodologies to increase the rate of collections.</li><li>➤ Improve audit selection and accelerate the audit cycle.</li></ul>	<ul style="list-style-type: none"><li>• <b>Implement</b> reciprocal refund intercept agreement with other state revenue agencies by March 31, 2008.</li><li>• <b>Expand</b> utilization of <b>AuditStat</b>, the Department’s analysis and accountability program that relies on statistical analyses to assess and improve the performance of audit activities during 2007-08.</li><li>• <b>Increase the number</b> of civil and / or criminal cases opened in 2007-08 (versus 2006-07) 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.</li></ul>

The 2007-08 Executive Budget will provide 200 new positions in audit, collections and information technology to assist with voluntary compliance efforts.

# TAXATION AND FINANCE

## ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2006-07	Appropriations Recommended 2007-08	Change	Reappropriations Recommended 2007-08
State Operations	431,536,000	435,856,000	4,320,000	0
Aid To Localities	500,000	0	(500,000)	0
Capital Projects	0	0	0	0
Total	432,036,000	435,856,000	3,820,000	0

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

### Full-Time Equivalent Positions (FTE)

Program	2006-07 Estimated FTEs 03/31/07	2007-08 Estimated FTEs 03/31/08	FTE Change
Audit, Collection and Enforcement General Fund	2,327	2,471	144
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	560	56
Treasury Management Special Revenue Funds - Other	44	44	0
Total	4,766	4,966	200

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

Fund Type	Available 2006-07	Recommended 2007-08	Change
General Fund	331,852,000	311,352,000	(20,500,000)
Special Revenue Funds - Federal	582,000	582,000	0
Special Revenue Funds - Other	46,000,000	76,420,000	30,420,000
Internal Service Funds	53,102,000	47,502,000	(5,600,000)
Total	431,536,000	435,856,000	4,320,000

# TAXATION AND FINANCE

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

Program	Available 2006-07	Recommended 2007-08	Change
Audit, Collection and Enforcement			
General Fund	119,834,000	113,221,000	(6,613,000)
Special Revenue Funds - Federal	582,000	582,000	0
Special Revenue Funds - Other	4,000,000	4,000,000	0
Centralized Operations Support			
General Fund	41,648,000	38,810,000	(2,838,000)
Office of Conciliation and Mediation			
General Fund	1,721,000	1,679,000	(42,000)
Management, Administration and Counsel			
General Fund	19,739,000	16,628,000	(3,111,000)
Revenue Processing and Reconciliation			
General Fund	42,533,000	43,261,000	728,000
Special Revenue Funds - Other	39,236,000	69,236,000	30,000,000
Internal Service Funds	53,102,000	47,502,000	(5,600,000)
Tax Policy, Revenue Accounting and Taxpayer Guidance			
General Fund	12,948,000	12,057,000	(891,000)
Technology and Information Services			
General Fund	93,429,000	85,696,000	(7,733,000)
Treasury Management			
Special Revenue Funds - Other	2,764,000	3,184,000	420,000
Total	<u>431,536,000</u>	<u>435,856,000</u>	<u>4,320,000</u>

## STATE OPERATIONS - GENERAL FUND SUMMARY OF PERSONAL SERVICE APPROPRIATIONS AND CHANGES 2007-08 RECOMMENDED (dollars)

Program	Total		Personal Service Regular (Annual Salaried)	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	105,921,000	(6,279,000)	105,401,000	(5,814,000)
Centralized Operations Support	5,285,000	(359,000)	4,736,000	(184,000)
Office of Conciliation and Mediation	1,571,000	(59,000)	1,571,000	(45,000)
Management, Administration and Counsel	14,579,000	(782,000)	14,470,000	(449,000)
Revenue Processing and Reconciliation	40,690,000	(1,188,000)	35,674,000	(5,076,000)
Tax Policy, Revenue Accounting and Taxpayer Guidance	10,327,000	(25,000)	10,289,000	1,220,000
Technology and Information Services	31,126,000	443,000	30,953,000	1,398,000
Total	<u>209,499,000</u>	<u>(8,249,000)</u>	<u>203,094,000</u>	<u>(8,950,000)</u>

Program	Temporary Service (Nonannual Salaried)		Holiday/Overtime Pay (Annual Salaried)	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	520,000	(296,000)	0	(169,000)
Centralized Operations Support	549,000	(171,000)	0	(4,000)
Office of Conciliation and Mediation	0	0	0	(14,000)
Management, Administration and Counsel	109,000	(258,000)	0	(75,000)
Revenue Processing and Reconciliation	5,016,000	4,266,000	0	(378,000)
Tax Policy, Revenue Accounting and Taxpayer Guidance	38,000	(1,236,000)	0	(9,000)
Technology and Information Services	173,000	(577,000)	0	(378,000)
Total	<u>6,405,000</u>	<u>1,728,000</u>	<u>0</u>	<u>(1,027,000)</u>

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**STATE OPERATIONS - GENERAL FUND  
SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED  
APPROPRIATIONS AND CHANGES  
2007-08 RECOMMENDED  
(dollars)**

Program	Total		Supplies and Materials	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	7,300,000	(334,000)	588,000	344,000
Centralized Operations Support	33,525,000	(2,479,000)	13,590,000	13,396,000
Office of Conciliation and Mediation	108,000	17,000	5,000	1,227
Management, Administration and Counsel	2,049,000	(2,329,000)	137,000	(2,301,450)
Revenue Processing and Reconciliation	2,571,000	1,916,000	1,103,000	448,000
Tax Policy, Revenue Accounting and Taxpayer Guidance	1,730,000	(866,000)	62,000	(27,600)
Technology and Information Services	54,570,000	(8,176,000)	150,000	(3,438,000)
<b>Total</b>	<b>101,853,000</b>	<b>(12,251,000)</b>	<b>15,635,000</b>	<b>8,422,177</b>

Program	Travel		Contractual Services	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	5,175,000	3,109,000	1,409,000	(3,069,000)
Centralized Operations Support	39,000	31,700	19,023,000	(16,779,700)
Office of Conciliation and Mediation	96,000	28,910	6,000	(14,137)
Management, Administration and Counsel	156,000	(128,800)	1,383,000	62,200
Revenue Processing and Reconciliation	140,000	140,000	1,094,000	1,094,000
Tax Policy, Revenue Accounting and Taxpayer Guidance	28,000	9,700	1,622,000	(860,500)
Technology and Information Services	300,000	155,000	50,884,000	(3,034,000)
<b>Total</b>	<b>5,934,000</b>	<b>3,345,510</b>	<b>75,421,000</b>	<b>(22,601,137)</b>

Program	Equipment	
	Amount	Change
Audit, Collection and Enforcement	128,000	(718,000)
Centralized Operations Support	873,000	873,000
Office of Conciliation and Mediation	1,000	1,000
Management, Administration and Counsel	373,000	39,050
Revenue Processing and Reconciliation	234,000	234,000
Tax Policy, Revenue Accounting and Taxpayer Guidance	18,000	12,400
Technology and Information Services	3,236,000	(1,859,000)
<b>Total</b>	<b>4,863,000</b>	<b>(1,417,550)</b>

**STATE OPERATIONS - OTHER THAN GENERAL FUND  
SUMMARY OF APPROPRIATIONS AND CHANGES  
2007-08 RECOMMENDED  
(dollars)**

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	4,582,000	0	0	0
Revenue Processing and Reconciliation	116,738,000	24,400,000	36,881,000	21,000,000
Treasury Management	3,184,000	420,000	2,008,000	265,000
<b>Total</b>	<b>124,504,000</b>	<b>24,820,000</b>	<b>38,889,000</b>	<b>21,265,000</b>

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	4,000,000	0	582,000	0
Revenue Processing and Reconciliation	79,857,000	3,400,000	0	0
Treasury Management	1,176,000	155,000	0	0
<b>Total</b>	<b>85,033,000</b>	<b>3,555,000</b>	<b>582,000</b>	<b>0</b>

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

<b>Fund Type</b>	<b>Available 2006-07</b>	<b>Recommended 2007-08</b>	<b>Change</b>
Fiduciary Funds	500,000	0	(500,000)
Total	500,000	0	(500,000)

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

<b>Program</b>	<b>Available 2006-07</b>	<b>Recommended 2007-08</b>	<b>Change</b>
Management, Administration and Counsel			
Fiduciary Funds	500,000	0	(500,000)
Total	500,000	0	(500,000)