

DEPARTMENT OF TAXATION AND FINANCE

MISSION

The Department of Taxation and Finance (DTF) collects tax revenue and provides associated services in support of government operations in New York State. In fulfilling its responsibilities, the Department collects and accounts for more than \$60 billion in State taxes and nearly \$40 billion in local taxes; administers 37 State and nine local taxes, including New York City and City of Yonkers income taxes, as well as the Metropolitan Commuter Transportation Mobility Tax; and processes almost 28 million returns, registrations, and associated documents. The Department also 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. Finally, beginning in 2010-11, the agency will oversee local property tax administration with the Executive Budget proposal to merge the Office of Real Property Services into the Department.

ORGANIZATION AND STAFFING

The Department is headed by a Commissioner who is appointed by the Governor and confirmed by the Senate. The Department fulfills its mission through nine programs: Audit, Collection and Enforcement, Centralized Operations Support, Office of Conciliation and Mediation, Management, Administration and Counsel, Revenue Processing and Reconciliation, Tax Policy, Revenue Accounting and Taxpayer Guidance, Technology and Information Services, Treasury Management, and the Office of Real Property Tax Services.

BUDGET HIGHLIGHTS

The Executive Budget recommends **\$540.3 million All Funds** (\$388.7 million General Fund; \$151.6 million Other Funds) for the Department of Taxation and Finance. This is an increase of **\$7.1 million All Funds** (a decrease of \$2.9 million in General Fund, an increase of \$10 million in Other Funds) from the 2009-10 level. This net change primarily reflects costs associated with merging the Office of Real Property Services into the Department.

The Executive Budget recommends a staffing level of **5,622 FTEs** for the Department of Taxation and Finance, an increase of **444 FTEs** from the 2009-10 budget. The Department will improve nonvoluntary tax collections through the following administrative and proposed statutory efforts: adding more than 300 compliance staff to focus more effort on the personal income tax and lower volume sales tax vendors, mirroring IRS requirements that credit card settlement banks report payments to credit card merchants, and allowing statistical sampling in lieu of a complete audit of all invoices during audits of larger sales tax vendors. In addition, DTF is working with counties voluntarily to identify vendors that are not paying the tax (especially sales tax) that is due to the State and the locality. Since the county is in a better position of identifying the best audits, this process will help streamline and enhance the current audit process. This enhanced information is expected to increase tax revenue for both the State and county.

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The Executive Budget merges the Office of Real Property Services into the Department for over \$1.9 million in full annual savings by consolidating facilities and services in support of agency operations. This merger expands upon the current host agency arrangement between the agencies that has already reduced overall costs for administrative support by \$650,000.

The Executive Budget proposes legislation that will reduce certified mail volumes, expand e-file participation, restructure State aid for local governments to maintain updated property assessments, and provide more efficient reporting of property assessment and real property transfer information.

PROGRAM HIGHLIGHTS

The Department's strategic goal is to achieve "universal voluntary compliance" to ensure that all taxpayers voluntarily pay the correct amount of tax due on a timely basis. To achieve this goal, the Department is committed to increasing the current high level of voluntary compliance through taxpayer education initiatives, technology, and enforcement efforts.

The operations of the Department are organized along the following functional lines to support its legal mission:

- **Audit, Collection and Enforcement:** Ensures that voluntarily remitted taxes are accurate and complete; leverages sophisticated technologies and highly-trained personnel to collect delinquent taxes; and identifies and investigates alleged evasion of the State tax code, whether through underreporting, non-filing or schemes of avoidance.
- **Centralized Operations Support:** Provides infrastructure support services; vehicle fleet management; printing and mailing services; telecommunications support; space planning, management, and utilization; in-house security; and parking services.
- **Office of Conciliation and Mediation:** Provides taxpayers with a statutorily-mandated option of informal and impartial dispute resolution that potentially mitigates time-consuming, formal administrative hearings with the Division of Tax Appeals.
- **Management, Administration and Counsel:** Provides departmental financial services, including budgeting, accounting, and procurement; provides a full range of legal services to the Department; and provides personnel services, including workforce strategies and solutions.
- **Real Property Tax Services:** Oversees local property tax administration in New York with a range of responsibilities, including: equalization of local assessments for purposes of apportioning property taxes and calculating state aid; determination of assessments on several specific categories of property; various services to support local governments in performing their assessment responsibilities; and the administration of State aid for quality local assessment practices and property tax relief.
- **Revenue Processing and Reconciliation:** Processes taxpayer returns and remittance to compute liability, identify underpayments or overpayments, and issue assessments and refunds; creates and maintains taxpayer accounts and records; and responds to taxpayer inquiries.

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- **Tax Policy, Revenue Accounting and Taxpayer Guidance:** Performs revenue accounting; reviews tax policies; assesses tax proposals and proposed legislation; prepares fiscal impacts; performs sophisticated studies and analyses for the Legislature and the Division of the Budget; and develops tax information, advice, forms, and instructions.
- **Technology and Information Services:** Maintains, secures, and improves the Department's information technology infrastructure, applications, and networks.
- **Treasury Management:** Acts on the Tax Commissioner's behalf as custodian of the State Treasury, and joint-custodian of the State General Checking Account; provides various financial and investment services to certain State agencies and public benefit corporations.

ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2009-10	Appropriations Recommended 2010-11	Change	Reappropriations Recommended 2010-11
State Operations	520,235,000	527,969,000	7,734,000	1,000,000
Aid To Localities	12,933,750	12,325,000	(608,750)	0
Capital Projects	0	0	0	0
Total	<u>533,168,750</u>	<u>540,294,000</u>	<u>7,125,250</u>	<u>1,000,000</u>

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

Full-Time Equivalent Positions (FTE)

Program	2009-10 Estimated FTEs 03/31/10	2010-11 Estimated FTEs 03/31/11	FTE Change
Audit, Collection and Enforcement			
General Fund	2,751	2,859	108
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
Real Property Tax Services, Office of			
General Fund	0	239	239
Special Revenue Funds - Other	0	29	29
Revenue Processing and Reconciliation			
General Fund	538	584	46
Special Revenue Funds - Other	731	731	0
Tax Policy, Revenue Accounting and Taxpayer Guidance			
General Fund	172	176	4
Technology and Information Services			
General Fund	542	560	18
Treasury Management			
Special Revenue Funds - Other	44	44	0
Total	<u>5,178</u>	<u>5,622</u>	<u>444</u>

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

<u>Fund Type</u>	<u>Available 2009-10</u>	<u>Recommended 2010-11</u>	<u>Change</u>
General Fund	378,652,000	376,366,000	(2,286,000)
Special Revenue Funds - Federal	2,582,000	2,500,000	(82,000)
Special Revenue Funds - Other	92,799,000	107,297,000	14,498,000
Internal Service Funds	46,202,000	41,806,000	(4,396,000)
Total	520,235,000	527,969,000	7,734,000

Adjustments:

Transfer(s) From

Real Property Services, Office of General Fund	(27,100,000)
Special Revenue Funds - Other	(5,457,000)
Appropriated 2009-10	487,678,000

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

<u>Program</u>	<u>Available 2009-10</u>	<u>Recommended 2010-11</u>	<u>Change</u>
Audit, Collection and Enforcement			
General Fund	176,197,987	183,039,900	6,841,913
Special Revenue Funds - Federal	2,582,000	2,500,000	(82,000)
Special Revenue Funds - Other	4,000,000	16,500,000	12,500,000
Centralized Operations Support			
General Fund	29,020,005	25,000,600	(4,019,405)
Office of Conciliation and Mediation			
General Fund	1,754,904	1,908,000	153,096
Management, Administration and Counsel			
General Fund	16,834,684	17,245,000	410,316
Real Property Tax Services, Office of			
General Fund	27,100,000	22,150,000	(4,950,000)
Special Revenue Funds - Other	5,457,000	4,055,000	(1,402,000)
Revenue Processing and Reconciliation			
General Fund	45,411,949	46,567,700	1,155,751
Special Revenue Funds - Other	79,653,000	83,053,000	3,400,000
Internal Service Funds	46,202,000	41,806,000	(4,396,000)
Tax Policy, Revenue Accounting and Taxpayer Guidance			
General Fund	12,253,238	12,037,700	(215,538)
Technology and Information Services			
General Fund	70,079,233	68,417,100	(1,662,133)
Treasury Management			
Special Revenue Funds - Other	3,689,000	3,689,000	0
Total	520,235,000	527,969,000	7,734,000

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**STATE OPERATIONS - GENERAL FUND
SUMMARY OF PERSONAL SERVICE APPROPRIATIONS AND CHANGES
2010-11 RECOMMENDED
(dollars)**

Program	Total		Personal Service Regular (Annual Salaried)	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	176,671,000	6,885,899	174,901,000	7,135,899
Centralized Operations Support	5,484,200	(98,378)	4,885,200	(98,378)
Office of Conciliation and Mediation	1,830,800	153,127	1,830,800	153,127
Management, Administration and Counsel	15,990,500	442,283	15,821,500	442,283
Real Property Tax Services, Office of	18,250,000	(2,550,000)	18,250,000	(2,550,000)
Revenue Processing and Reconciliation	44,449,200	1,155,775	38,900,200	2,030,775
Tax Policy, Revenue Accounting and Taxpayer Guidance	10,800,600	(215,514)	10,697,600	(215,514)
Technology and Information Services	36,919,800	857,908	36,244,800	982,908
Total	310,396,100	6,631,100	301,531,100	7,881,100

Program	Temporary Service (Nonannual Salaried)		Holiday/Overtime Pay	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	1,020,000	0	750,000	(250,000)
Centralized Operations Support	549,000	0	50,000	0
Office of Conciliation and Mediation	0	0	0	0
Management, Administration and Counsel	159,000	0	10,000	0
Real Property Tax Services, Office of	0	0	0	0
Revenue Processing and Reconciliation	5,174,000	(750,000)	375,000	(125,000)
Tax Policy, Revenue Accounting and Taxpayer Guidance	38,000	0	65,000	0
Technology and Information Services	300,000	0	375,000	(125,000)
Total	7,240,000	(750,000)	1,625,000	(500,000)

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STATE OPERATIONS - GENERAL FUND SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED APPROPRIATIONS AND CHANGES 2010-11 RECOMMENDED (dollars)

Program	Total		Supplies and Materials	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	6,368,900	(43,986)	420,500	21
Centralized Operations Support	19,516,400	(3,921,027)	6,347,700	(3,012,969)
Office of Conciliation and Mediation	77,200	(31)	3,600	25
Management, Administration and Counsel	1,254,500	(31,967)	98,000	31
Real Property Tax Services, Office of	3,900,000	(2,400,000)	200,000	(50,000)
Revenue Processing and Reconciliation	2,118,500	(24)	813,800	44
Tax Policy, Revenue Accounting and Taxpayer Guidance	1,237,100	(24)	44,300	(36)
Technology and Information Services	31,497,300	(2,520,041)	107,300	35
Total	65,969,900	(8,917,100)	8,035,200	(3,062,849)

Program	Travel		Contractual Services	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	3,700,600	(46)	1,083,600	(43,977)
Centralized Operations Support	27,900	11	12,516,600	(907,986)
Office of Conciliation and Mediation	68,600	(50)	4,300	9
Management, Administration and Counsel	111,600	44	778,200	(32,009)
Real Property Tax Services, Office of	200,000	(150,000)	3,200,000	(1,800,000)
Revenue Processing and Reconciliation	100,100	(14)	1,012,300	(20)
Tax Policy, Revenue Accounting and Taxpayer Guidance	20,000	(23)	1,159,900	7
Technology and Information Services	214,500	(30)	28,861,500	(2,519,980)
Total	4,443,300	(150,108)	48,616,400	(5,303,956)

Program	Equipment	
	Amount	Change
Audit, Collection and Enforcement	1,164,200	16
Centralized Operations Support	624,200	(83)
Office of Conciliation and Mediation	700	(15)
Management, Administration and Counsel	266,700	(33)
Real Property Tax Services, Office of	300,000	(400,000)
Revenue Processing and Reconciliation	192,300	(34)
Tax Policy, Revenue Accounting and Taxpayer Guidance	12,900	28
Technology and Information Services	2,314,000	(66)
Total	4,875,000	(400,187)

STATE OPERATIONS - OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2010-11 RECOMMENDED (dollars)

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	19,000,000	12,418,000	0	0
Real Property Tax Services, Office of	4,055,000	(1,402,000)	2,555,000	(745,000)
Revenue Processing and Reconciliation	124,859,000	(996,000)	38,764,000	1,883,000
Treasury Management	3,689,000	0	2,025,000	0
Total	151,603,000	10,020,000	43,344,000	1,138,000

Program	Nonpersonal Service		Maintenance Undistributed	
	Amount	Change	Amount	Change
Audit, Collection and Enforcement	16,500,000	12,500,000	2,500,000	(82,000)
Real Property Tax Services, Office of	1,500,000	(657,000)	0	0
Revenue Processing and Reconciliation	86,095,000	(2,879,000)	0	0
Treasury Management	1,664,000	0	0	0
Total	105,759,000	8,964,000	2,500,000	(82,000)

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

Fund Type	Available 2009-10	Recommended 2010-11	Change
General Fund	12,933,750	12,325,000	(608,750)
Total	12,933,750	12,325,000	(608,750)
Adjustments:			
Transfer(s) From			
Real Property Services, Office of			
General Fund	(12,933,750)		
Appropriated 2009-10	0		

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

Program	Available 2009-10	Recommended 2010-11	Change
Real Property Tax Services, Office of			
General Fund	12,933,750	12,325,000	(608,750)
Total	12,933,750	12,325,000	(608,750)