

State of Alaska FY2015 Governor's Operating Budget

Department of Revenue Tax Division Component Budget Summary

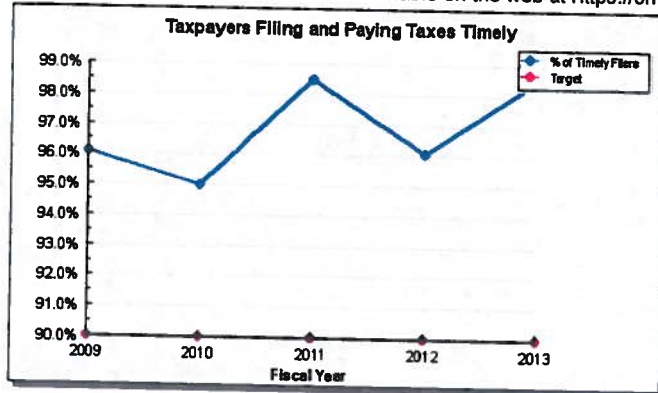
Component: Tax Division

Contribution to Department's Mission

The mission of the Tax Division is to collect taxes, inform stakeholders, and regulate charitable gaming.

Results

(Additional performance information is available on the web at <https://omb.alaska.gov/results>.)



Core Services

- Enforce tax statutes
- Enforce gaming statutes
- Facilitate voluntary compliance
- Account for revenues
- Increase number of audit hours
- Use refund requests as a measure for how effective we are in processing tax returns and return information

Measures by Core Service

(Additional performance information is available on the web at <https://omb.alaska.gov/results>.)

1. Enforce tax statutes

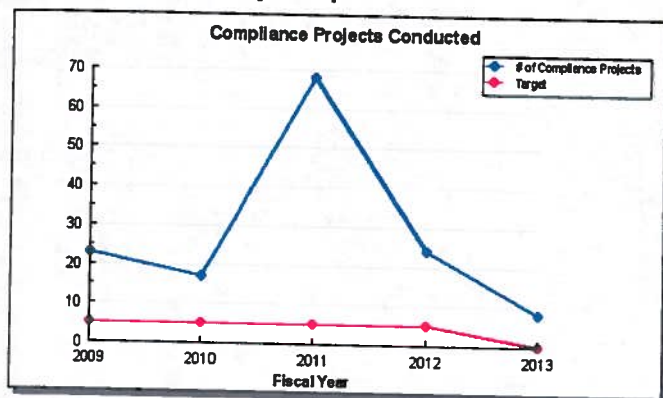
Target: Open 10 new audit cases (taxpayers that have not been audited by the Tax Division in the prior five years).

2. Enforce gaming statutes

Target: Conduct 50 gaming inspections each

year.

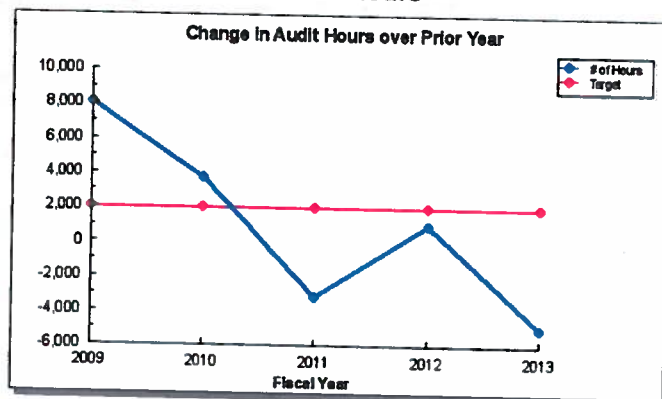
3. Facilitate voluntary compliance



4. Account for revenues

Target: Collect 95% or more of taxes due.

5. Increase number of audit hours



6. Use refund requests as a measure for how effective we are in processing tax returns and return information

Target: Issue 98% of tax refunds within statutory 90-day interest free (grace) period.

Major Component Accomplishments in 2013

- Provided assistance and testimony on critical legislation to effect changes in Alaska's oil and gas production tax as part of the governor's overall plan to make Alaska more competitive as an oil production state. Assisted both the governor and the legislature in dealing with various other fiscal issues and provided information and testimony on proposed changes to fish taxes and credits, vehicle rental tax, mining license tax revenues, film production tax credits, and corporate income tax rates.
- Continued to refine and streamline the oil and gas credit purchase and due diligence review process which resulted in the timely issuance of 96 tax credit certificates totaling approximately \$375 million and 103 cash purchases of credit certificates totaling approximately \$370 million. In addition, we closed four tax credit audits.
- Issued a request for proposal for a multi-million dollar integrated revenue management system, awarded a contract, and began implementation of that system during the fourth quarter of the fiscal year.
- Created and implemented a standardized and electronic oil and gas production tax return form.
- Continued work on a project to identify and standardize critical information needed from the oil and gas industry to enhance the quality of oil and gas audits and our ability to more accurately estimate future production tax revenues for state budgeting purposes.
- Continued work on identifying and defining data gaps and data elements necessary for oil and gas production tax administration and economic forecasting.
- Assessed over \$85 million in additional corporate income tax liabilities as the result of closing out 15 audits covering tax years 2002 through 2011.
- Continued to provide critical resources in support of project development regarding a gas line.
- Distributed shared taxes and fees of approximately \$49 million to 127 communities throughout Alaska.
- Closed appeals from over 124 taxpayers of assessments in all tax types and charitable gaming.

Key Component Challenges

- Drafting regulations for and implementing new oil and gas tax provisions under the More Alaska Production Act (MAPA) passed during the 2013 legislative session.

- Conducting and completing audits of oil and gas production tax returns that span three different tax systems (PPT, ACES, MAPA).
- Accurately evaluating current and potential revenue sources and improving the quality of the financial data collected to support revenue forecasts with the goal of developing a stable fiscal policy for the state.
- Estimating oil and gas revenues in light of the highly volatile oil and gas market coupled with uncertainties in the U.S. and global economies.
- Maintaining the integrity of core tax programs in the face of resource demands from major revenue and investment initiatives.
- Continuing to contribute in efforts to start large-scale natural gas development in-state and commercialization of North Slope natural gas reserves.
- Creating and implementing education programs to ensure that Alaskans understand and comply with Alaska's tax laws.
- Conducting taxpayer outreach to notify and educate taxpayers about the implementation of a new tax revenue management system which will provide enhanced services including online filing, payment, and account history.
- Implementing and rolling out the first of three rollouts of an integrated tax revenue management system to replace manual and aging systems while maintaining the integrity of data and providing core taxpayer services.
- Establishing the Alaska Film Office which was transferred to the Department of Revenue (DOR) from the Department of Commerce, Community, and Economic Development (DCCED) on July 1, 2013 and drafting regulations to implement changes that were made to the film production tax credit program at the same time.

Significant Changes in Results to be Delivered in FY2015

- Fully implement the new oil and gas tax system, MAPA, which is effective January 1, 2014.
- Complete the transfer of the Alaska Film Office from DCCED to DOR.

Statutory and Regulatory Authority

AS 04.11*	Alcoholic Beverages – Licensing
AS 05.15	Games of Chance and Contests of Skill
AS 05.16	Games of Chance and Contests of Skill on Ships Operating on Waters within the Jurisdiction of Alaska
AS 10.25*	Electric and Telephone Cooperative Act
AS 16.51	Alaska Seafood Marketing Institute
AS 43.05	Administration of Revenue Laws
AS 43.10	Enforcement and Collection of Taxes
AS 43.19	Multi-state Tax Compact
AS 43.20	Alaska Net Income Tax Act
AS 43.31	Estate Tax Law of Alaska
AS 43.40*	Motor Fuel Tax
AS 43.50	Tobacco Taxes and Sales
AS 43.52*	Transportation Taxes
AS 43.55	Oil and Gas Production Tax and Oil Surcharge
AS 43.56	Oil and Gas Exploration, Production, and Pipeline Transportation Property Taxes
AS 43.60	Excise Tax on Alcoholic Beverages
AS 43.65	Mining License Tax
AS 43.75*	Fisheries Business License and Taxes
AS 43.76	Fisheries Taxes and Assessments

AS 43.77* Fishery Resource Landing Tax
AS 43.80 Salmon Price Reports
AS 43.82 Alaska Stranded Gas Development Act
AS 43.98 Miscellaneous Provisions
AS 42.05 Alaska Public Utilities Regulatory Act
AS 42.06 Pipeline Act
AS 44.25 Film Office
26 U.S.C. 38 Internal Revenue Code
15 AAC 05 Administration of Revenue Laws
15 AAC 10 Enforcement
15 AAC 19 Multi-state Tax Compact
15 AAC 20 Alaska Net Income Tax
15 AAC 40 Motor Fuel Tax
15 AAC 50 Cigarette Tax
15 AAC 52 Transportation Taxes
15 AAC 55 Oil and Gas Properties Production Tax
15 AAC 56 Oil and Gas Exploration, Production and Pipeline Transportation Property Tax
15 AAC 60 Excise Tax on Alcoholic Beverages
15 AAC 65 Mining License Tax
15 AAC 75 Fisheries Business Tax
15 AAC 76 Salmon Enhancement Tax
15 AAC 77 Fishery Resource Landing Tax
15 AAC 80 Salmon Prices
15 AAC 98 Tire Fees
15 AAC 116 Fish and Game Licensing and Seafood Marketing Assessment
15 AAC 160 Authorized Games of Chance and Skill

* Statutes provide for sharing taxes and fees

Contact Information
<p>Contact: Jerry Burnett, Director, Administrative Services Phone: (907) 465-2312 Fax: (907) 465-1685 E-mail: jerry.burnett@alaska.gov</p>

**Tax Division
Component Financial Summary**

All dollars shown in thousands

	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	12,677.9	14,656.3	14,401.0
72000 Travel	139.3	223.1	223.1
73000 Services	2,865.5	2,131.6	1,999.6
74000 Commodities	158.2	121.5	111.5
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	15,840.9	17,132.5	16,735.2
Funding Sources:			
1004 General Fund Receipts	14,911.2	15,619.5	15,220.7
1005 General Fund/Program Receipts	742.8	755.4	754.5
1007 Interagency Receipts	1.5	0.0	0.0
1061 Capital Improvement Project Receipts	95.1	666.1	668.3
1105 Alaska Permanent Fund Corporation Receipts	90.3	91.5	91.7
Funding Totals	15,840.9	17,132.5	16,735.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	1,740.0	1,900.0	1,900.0
Unrestricted Fund	68515	0.6	0.0	0.0
Unrestricted Total		1,740.6	1,900.0	1,900.0
Restricted Revenues				
Capital Improvement Project Receipts	51200	95.1	666.1	668.3
General Fund Program Receipts	51060	742.8	755.4	754.5
Interagency Receipts	51015	1.5	0.0	0.0
Permanent Fund Earnings Reserve Account	51373	90.3	91.5	91.7
Restricted Total		929.7	1,513.0	1,514.5
Total Estimated Revenues		2,670.3	3,413.0	3,414.5

**Summary of Component Budget Changes
From FY2014 Management Plan to FY2015 Governor**

All dollars shown in thousands

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
FY2014 Management Plan	15,619.5	755.4	757.6	0.0	17,132.5
Adjustments which will continue current level of service:					
-Reverse Alaska State Employees Association One-Time Payment Sec22f Ch14 SLA2013 (HB65) and Sec12 Ch15 SLA2013 (HB66)	-76.5	-5.2	-1.4	0.0	-83.1
-Reverse Oil & Gas Production Tax Ch10 SLA2013 (SB21) (Sec2 Ch14 SLA2013 Pg46 L5) (HB65)	-100.0	0.0	0.0	0.0	-100.0
-Reverse Oil & Gas Production Tax Ch10 SLA2013 (SB21) (Sec2 Ch14 SLA2013 Pg46 L5) (HB65)	-10.0	0.0	0.0	0.0	-10.0
-FY2015 Salary Increases	115.0	6.3	5.4	0.0	126.7
-FY2015 Health Insurance and Working Reserve Rate Reductions	-39.4	-2.0	-1.6	0.0	-43.0
Proposed budget decreases:					
-Reduction in Contractual Services	-32.0	0.0	0.0	0.0	-32.0
-Delete Long-Term Vacant Positions (04-3288, 04- 6034, 04-7022, 04-N09005)	-255.9	0.0	0.0	0.0	-255.9
FY2015 Governor	15,220.7	754.5	760.0	0.0	16,735.2

**Tax Division
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2014</u> <u>Management</u> <u>Plan</u>	<u>FY2015</u> <u>Governor</u>		
Full-time	128	123	Annual Salaries	9,867,642
Part-time	1	1	COLA	130,455
Nonpermanent	1	2	Premium Pay	0
			Annual Benefits	5,390,499
			Less 6.48% Vacancy Factor	(997,796)
			Lump Sum Premium Pay	10,200
Totals	130	126	Total Personal Services	14,401,000

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accountant IV	0	0	1	0	1
Accounting Clerk	0	0	1	0	1
Accounting Tech II	0	0	1	0	1
Accounting Tech III	1	0	3	0	4
Accounting Technician IV	0	0	1	0	1
Administrative Assistant I	1	0	0	0	1
Administrative Assistant II	1	0	1	0	2
Administrative Officer I	0	0	1	0	1
Analyst/Programmer II	0	0	2	0	2
Analyst/Programmer III	0	0	2	0	2
Analyst/Programmer IV	0	0	2	0	2
Analyst/Programmer V	0	0	1	0	1
Appraiser I	1	0	0	0	1
Asst Chf, Revenue Econ Research	0	0	1	0	1
Audit Master	5	0	0	0	5
Chief of Revenue Operations	0	0	1	0	1
Commercial Analyst	2	0	0	0	2
Corporate Income Tax Audit I	1	0	1	0	2
Corporate Income Tax Audit III	4	0	0	0	4
Corporate Income Tax Audit IV	3	0	0	0	3
Data Processing Mgr III	0	0	1	0	1
Deputy Director, Tax Division	1	0	0	0	1
Director, Tax Division	1	0	0	0	1
Economist II	0	0	1	0	1
Economist III	1	0	0	0	1
Income & Excise Tax Specialist	1	0	0	0	1
Information System Coordinator	1	0	0	0	1
Microfilm/Imaging Oper I	0	0	1	0	1
Microfilm/Imaging Oper II	0	0	1	0	1
Office Assistant I	0	0	2	0	2
Office Assistant II	1	0	2	0	3
Oil & Gas Revenue Auditor I	2	0	0	0	2
Oil & Gas Revenue Auditor II	2	0	0	0	2
Oil & Gas Revenue Auditor III	7	0	0	0	7
Oil & Gas Revenue Auditor IV	4	0	0	0	4

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Petroleum Econ Policy Analyst	1	0	0	0	1
Petroleum Economist II	3	0	0	0	3
Program Coordinator II	0	0	1	0	1
Project Asst	1	0	0	0	1
Regulations Spec II	1	0	0	0	1
Revenue Appeals Officer II	5	0	0	0	5
Revenue Appeals Supervisor	1	0	0	0	1
Revenue Audit Supvr I	1	0	2	0	3
Revenue Audit Supvr II	4	0	0	0	4
State Petro Prop Assess	1	0	0	0	1
Statistical Technician II	0	0	1	0	1
Systems Programmer II	0	0	3	0	3
Tax Auditor I	1	0	0	0	1
Tax Auditor II	1	0	0	0	1
Tax Auditor III	5	0	1	0	6
Tax Auditor IV	3	0	0	0	3
Tax Technician I	1	0	3	0	4
Tax Technician II	2	0	2	0	4
Tax Technician III	4	0	6	0	10
Tax Technician IV	2	0	2	0	4
Totals	77	0	49	0	126