

State of Alaska FY2014 Governor's Operating Budget

Department of Revenue Tax Division Component Budget Summary

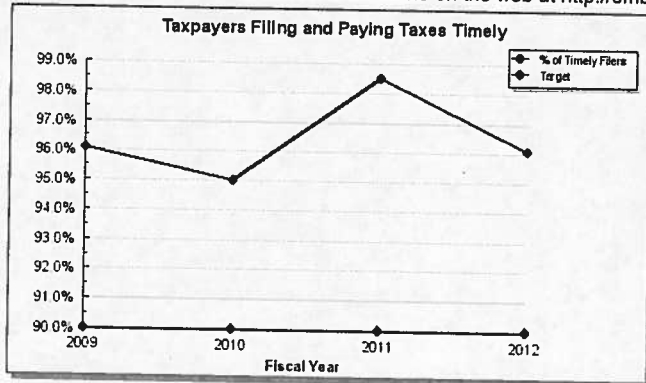
Component: Tax Division

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 <http://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

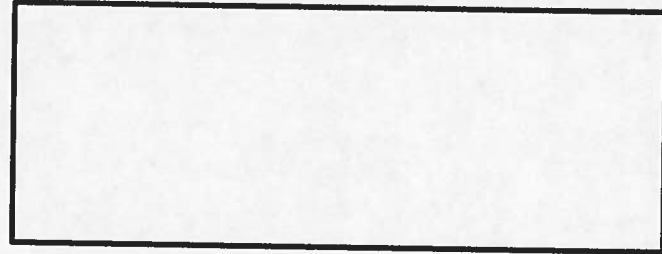
(Additional performance information is available on the web at <http://omb.alaska.gov/results>.)

1. Enforce tax statutes

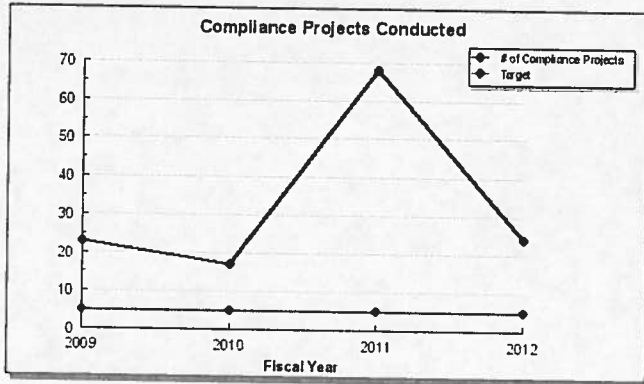
Target: Open 20 new audit cases (taxpayers that have not been audited by the Tax Division in the prior five years).

2. Enforce gaming statutes

Target: Enforce Gaming Statutes



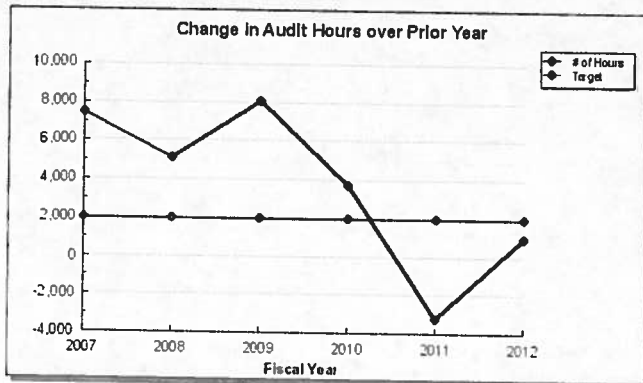
3. Facilitate voluntary compliance



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 2012

- Provided assistance 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 education, film production, research and development, veterans, and renewable energy tax credits as well as proposed changes to the passenger vehicle, motor fuel, corporate income and mining license taxes.
- Continued to refine and streamline the oil and gas credit purchase and due diligence review process which resulted in the timely issuance of over 140 tax credit certificates totaling over \$238 million and 145 cash purchases of credit certificates totaling approximately \$353 million.
- Successfully selected a project manager to draft a request for proposal for a new tax revenue management system and oversee implementation of that system.
- 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.
- Initiated work on identifying and defining data gaps and data elements necessary for oil and gas production tax administration and economic forecasting.
- Assessed over \$40 million in additional corporate income tax liabilities as the result of closing out seven audits covering tax years 2005 through 2010. Additionally, assessed over \$20 million in oil and gas production tax and interest liabilities as the result of closing out an audit covering the short period April 2006 through December 2006.
- Continued to provide critical resources in support of project development regarding a gas line.
- Continued training of Corporate Income Tax Auditors responsible for the Alaska corporate net income tax and Oil and Gas Revenue Auditors responsible for oil and gas production tax. The Tax Division also extended its contract with an outside audit firm to assist in oil and gas production tax and credit audits.
- The Tax Division distributed shared taxes and fees of over \$48 million to 130 communities throughout Alaska.
- Closed appeals from over 132 taxpayers of assessments in all tax types and charitable gaming.

Key Component Challenges

- 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 and aging or nonexistent information management systems.
- Contributing to efforts to start large-scale natural gas development in-state and commercialization of North Slope natural gas reserves, in particular, through the Alaska Gasline Inducement Act (AGIA).
- Developing regulations, implementing reporting systems and managing data for Alaska's Clear and Equitable Share (ACES) legislation—the current oil and gas production tax.
- Recruiting, training, and retaining professional staff.
- Creating and implementing education programs to ensure that Alaskans understand and comply with Alaska's tax laws.
- Implementing an integrated tax revenue management system to replace manual and aging systems while maintaining the integrity of data and providing core taxpayer services.

Significant Changes in Results to be Delivered in FY2014

- Establish Film Office.

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
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
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**Tax Division
Component Financial Summary**

All dollars shown in thousands

	FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	11,884.4	13,500.9	14,457.3
72000 Travel	222.0	223.1	223.1
73000 Services	3,134.1	2,397.7	1,966.6
74000 Commodities	287.9	121.5	121.5
75000 Capital Outlay	7.6	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	15,536.0	16,243.2	16,768.5
Funding Sources:			
1004 General Fund Receipts	14,359.4	14,752.1	15,277.4
1005 General Fund/Program Receipts	718.7	742.8	742.8
1007 Interagency Receipts	249.3	0.0	0.0
1061 Capital Improvement Project Receipts	121.0	658.0	658.0
1105 Alaska Permanent Fund Corporation Receipts	87.6	90.3	90.3
Funding Totals	15,536.0	16,243.2	16,768.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	1,912.1	1,900.0	1,900.0
Unrestricted Total		1,912.1	1,900.0	1,900.0
Restricted Revenues				
Interagency Receipts	51015	249.3	0.0	0.0
General Fund Program Receipts	51060	718.7	742.8	742.8
Capital Improvement Project Receipts	51200	121.0	658.0	658.0
Permanent Fund Earnings Reserve Account	51373	87.6	90.3	90.3
Restricted Total		1,176.6	1,491.1	1,491.1
Total Estimated Revenues		3,088.7	3,391.1	3,391.1

**Summary of Component Budget Changes
From FY2013 Management Plan to FY2014 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>
FY2013 Management Plan	14,752.1	742.8	748.3	0.0	16,243.2
Adjustments which will continue current level of service:					
-FY2014 Salary and Health Insurance Increases	5.3	0.0	0.0	0.0	5.3
Proposed budget increases:					
-Executive Director Film Office	148.0	0.0	0.0	0.0	148.0
-Master and Oil and Gas Revenue Auditors	372.0	0.0	0.0	0.0	372.0
FY2014 Governor	15,277.4	742.8	748.3	0.0	16,768.5

**Tax Division
Personal Services Information**

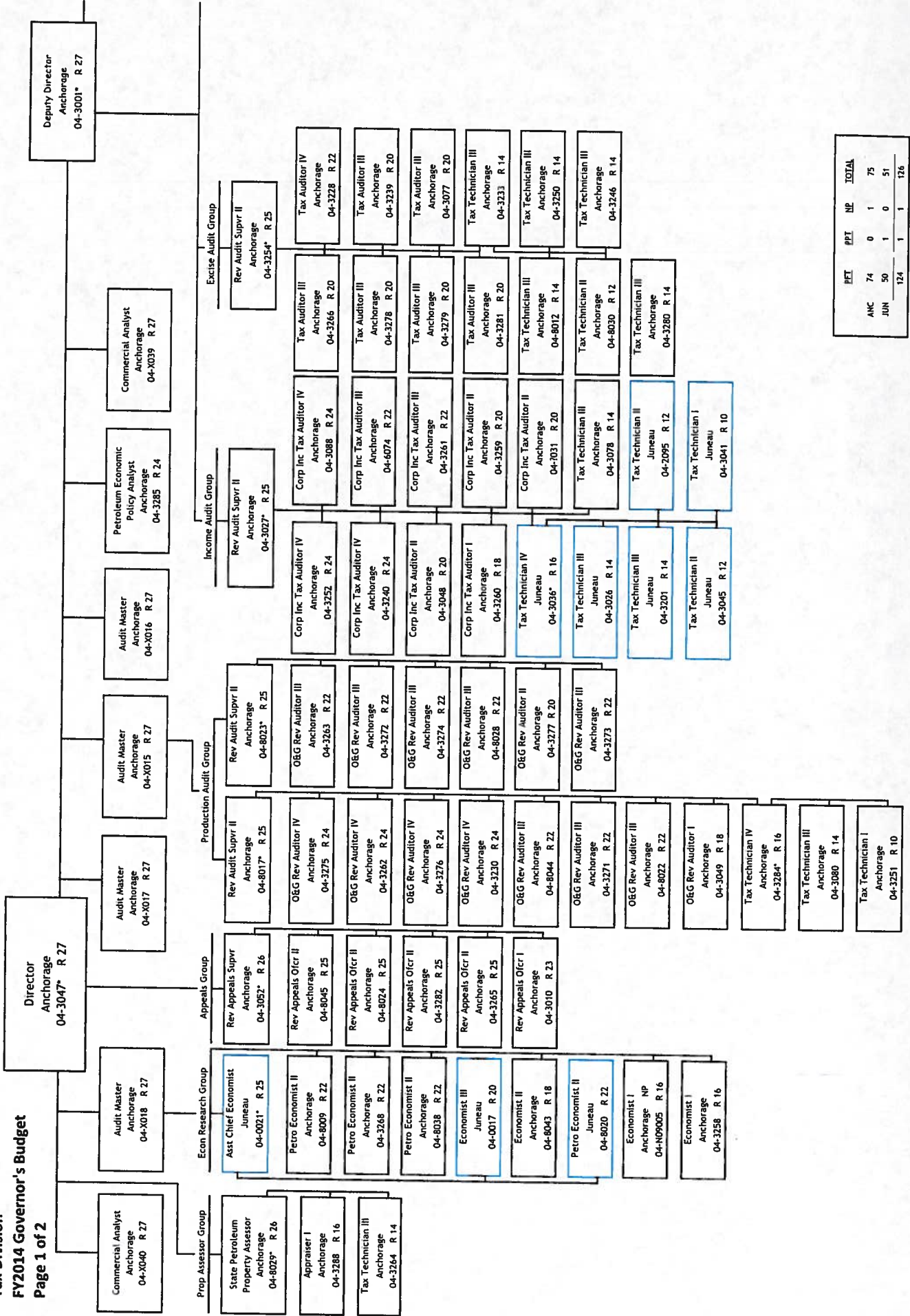
Authorized Positions			Personal Services Costs	
	<u>FY2013</u> <u>Management</u> <u>Plan</u>	<u>FY2014</u> <u>Governor</u>		
Full-time	123	128	Annual Salaries	9,873,788
Part-time	1	1	Premium Pay	0
Nonpermanent	2	1	Annual Benefits	5,490,457
			Less 5.97% Vacancy Factor	(917,132)
			Lump Sum Premium Pay	10,200
Totals	126	130	Total Personal Services	14,457,313

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	0	0	3	0	3
Accounting Technician IV	0	0	1	0	1
Administrative Assistant I	1	0	0	0	1
Administrative Assistant II	2	0	1	0	3
Administrative Officer I	0	0	1	0	1
Analyst/Programmer II	0	0	3	0	3
Analyst/Programmer III	0	0	3	0	3
Analyst/Programmer IV	0	0	1	0	1
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	0	0	1
Corporate Income Tax Audit II	3	0	0	0	3
Corporate Income Tax Audit III	2	0	0	0	2
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
Dev Spec II, Option A	1	0	0	0	1
Director, Tax Division	1	0	0	0	1
Economist I	2	0	0	0	2
Economist II	1	0	0	0	1
Economist III	0	0	1	0	1
Exec Director, Film Office	0	0	1	0	1
Income & Excise Tax Specialist	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	1	0	0	0	1
Oil & Gas Revenue Auditor II	2	0	0	0	2

Position Classification Summary					
Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Oil & Gas Revenue Auditor III	8	0	0	0	8
Oil & Gas Revenue Auditor IV	4	0	0	0	4
Petroleum Econ Policy Analyst	1	0	0	0	1
Petroleum Economist II	3	0	1	0	4
Program Coordinator II	0	0	1	0	1
Revenue Appeals Officer I	1	0	0	0	1
Revenue Appeals Officer II	4	0	0	0	4
Revenue Appeals Supervisor	1	0	0	0	1
Revenue Audit Supvr I	0	0	2	0	2
Revenue Audit Supvr II	4	0	0	0	4
State Petro Prop Assess	1	0	0	0	1
Systems Programmer II	0	0	5	0	5
Tax Auditor III	7	0	1	0	8
Tax Auditor IV	2	0	0	0	2
Tax Technician I	1	0	3	0	4
Tax Technician II	1	0	3	0	4
Tax Technician III	8	0	5	0	13
Tax Technician IV	1	0	2	0	3
Totals	78	0	52	0	130

Department of Revenue
Tax Division
FY2014 Governor's Budget
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	PCT	PPT	NP	TOTAL
ANC	74	0	1	75
JUN	50	1	0	51
	124	1	1	126

