

## ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No

## Taxation and Revenue Department

The Taxation and Revenue Department (TRD) is on track to meet collection targets by the end of the fiscal year, and improved in resolving tax protest cases. Again, the Motor Vehicle Division (MVD) call center and field office wait times did not reach targets, although the targets for these measures are lower than in previous years.

TRD continues to face a high vacancy rate – 27 percent at the start of the first quarter. The staffing shortage affects operations, delivery of services and morale. For some roles, such as customer-focused positions at the MVD call center and field offices, salaries are not always aligned with job responsibilities. A review of staff compensation to address vacancies and reduce reliance on temporary staffing agencies may be warranted.

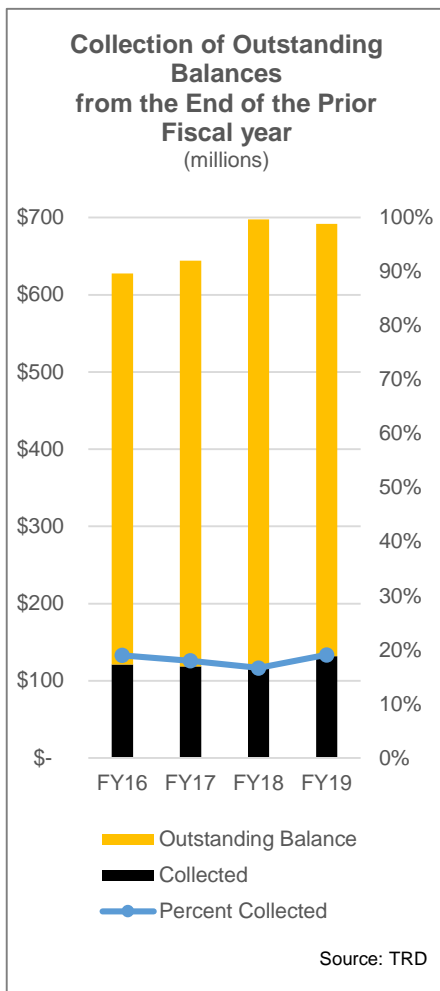
The department faced significant changes to its processes and IT infrastructure in FY19, due to provisions in House Bill 6 and other 2019 legislation authorizing changes to New Mexico's tax code, including taxation of internet sales, personal income tax, and film tax credits. TRD estimated implementation costs of \$27 million for changes to its GenTax and Tapestry systems. The department has begun implementing these changes with contractor and agency staff. However, additional appropriations are needed.

### Tax Administration

For FY19, the Tax Administration Program did not meet annual collections performance targets. At the end of the fiscal year, the program had collected 19 percent of outstanding balances of \$691 million and 44 percent of its total collectible audit assessments of \$89 million. For FY20, the program received appropriations for collection enhancement.

In the first quarter, the program reports a collectible balance of \$776.6 million, of which \$70.8 million, or 9.1 percent, was collected. Collectible balances exclude accounts past the statute of limitations, protested accounts, and accounts in bankruptcy. The program also reported first quarter and FY19 fourth quarter assessments totaled \$249.8 million. After reductions that include accounts not yet delinquent, in protest, or abated, the collectible balance was \$54 million, of which \$12 million, or 22 percent, was collected.

The LFC is concerned about personal income tax compliance for out-of-state oil and gas workers in southern New Mexico, estimating a potential loss of up to \$25 million in tax revenues. TRD has identified companies that do not have tax ID numbers and are not in TRD's databases. TRD plans to include audits of personal income tax, corporate income tax, gross receipts tax, and withholding in severance tax audits of oil and gas companies.



**Budget:** \$31,193 **FTE:** 490.8

Measure	FY18 Actual	FY19 Actual	FY20 Target	FY20 Q1	Rating
Collections as a percent of collectible outstanding balances from the end of the prior fiscal year (cumulative)	17%	19%	23%	9%	<span style="background-color: green; color: white; border-radius: 50%; padding: 2px;">G</span>
Collections as a percent of collectible audit assessments generated in the current fiscal year and last quarter of the prior fiscal year	50%	44%	65%	22%	<span style="background-color: red; color: white; border-radius: 50%; padding: 2px;">R</span>
<b>Program Rating</b>	<span style="background-color: red; color: white; border-radius: 50%; padding: 2px;">R</span>	<span style="background-color: yellow; color: black; border-radius: 50%; padding: 2px;">Y</span>			<span style="background-color: yellow; color: black; border-radius: 50%; padding: 2px;">Y</span>

## Motor Vehicle

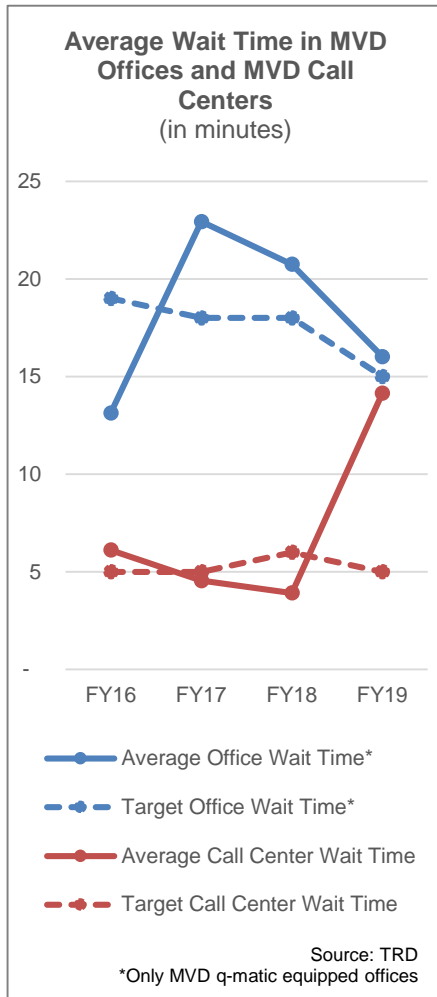
The strategic goals for this program include ensuring compliance with vehicle liability insurance requirements and minimizing customer call center and field office wait times. In the first quarter, insurance company late and erroneous reporting impacted 26 thousand registered vehicles, keeping the uninsured rate hovering around 10 percent.

For customers, MVD field offices reported an overall physical wait time of 16.29 minutes, above the actual wait time in FY19 and target for FY20, with 408 thousand customers served. Phone wait times were also over 15 minutes on average – over triple the target wait time – largely due to a high volume of calls relating to Real ID-license conversion questions. MVD continues to face a high vacancy rate overall with call center vacancy rates now at 50 percent and may undertake a review of staff compensation. During FY19, the agency paid \$657 thousand to a staffing agency for temporary staff.

In June of this year, TRD announced that 70 percent of New Mexico licenses and ID cards were Real ID compliant, a federal requirement for air travel as of October 2020.

**Budget:** \$32,307 **FTE:** 338

Measure	FY18 Actual	FY19 Actual	FY20 Target	FY20 Q1	Rating
Registered vehicles with liability insurance	90.0%	90.4%	93.0%	90.0%	Y
Average wait time in field offices, in minutes	20:45	16:01	<15:00	16:29	Y
Average wait time for incoming calls at the call center, in minutes	03:55	14:09	<04:00	15:03	R
<b>Program Rating</b>	<b>R</b>	<b>Y</b>			<b>Y</b>



## Property Tax

In the first quarter, the program recovered 6.6 percent of total delinquent property taxes and distributed a total of \$3.8 million in delinquent property taxes to counties.

**Budget:** \$4,208 **FTE:** 41

Measure	FY18 Actual	FY19 Actual	FY20 Target	FY20 Q1	Rating
Delinquent property tax collected and distributed to counties, in millions	\$14.6	\$12.9	\$13	\$3.8	G
Dollar value of all delinquent property tax sales held	New	New	\$800,000	\$39,942	R
Percent of total delinquent property taxes recovered	New	21.2%	18%	6.62%	G
<b>Program Rating</b>	<b>G</b>	<b>Y</b>			<b>Y</b>

## Compliance Enforcement Program

The three measures below address tax fraud, and forensic and internal investigations. Tax fraud investigations determine if prosecution is warranted; forensic audits resolve if an allegation contains information that has merit; and internal investigations explore employee and MVD contractor misconduct. In the first quarter, the program had five pending tax fraud cases from 2019 still awaiting a court date. In terms of internal investigations, the program reports most are completed and closed within 30 days.

### Vacancy Rate by Division, FY20 Q1

Division	Vacancy Rate
Tax Fraud Investigations	43%
Revenue Processing	42%
Information Technology	31%
Property Tax	31%
Administrative Services	26%
Motor Vehicle	24%
Audit and Compliance	24%
<b>Total TRD</b>	<b>27%</b>

Source: TRD

**Budget:** \$1,576 **FTE:** 21

Measure	FY18 Actual	FY19 Actual	FY20 Target	FY20 Q1	Rating
Tax investigations referred to prosecutors as a percent of total investigations assigned during the year	113%	55%	85%	33%	Y
Successful tax fraud prosecutions as a percent of total cases prosecuted (cumulative)	100%	100%	100%	0%	Y
Internal investigations completed within 60 days (cumulative)	100%	100%	100%	100%	G
<b>Program Rating</b>	<b>Y</b>	<b>Y</b>			<b>Y</b>

## Program Support

The agency strives to resolve half of tax protests quarterly and implement internal audit recommendations due by fiscal-year-end. In the first quarter, the program resolved 395 tax protests and completed three of 12 audit recommendations due – of which eight were carried over from FY19. The findings below suggest the program may be on track to meet these objectives by fiscal-year-end despite a high vacancy rate across the agency. For FY21, TRD proposed a measure to include dollar amount of tax protests resolved.

**Budget:** \$18,603.0 **FTE:** 173

Measure	FY18 Actual	FY19 Actual	FY20 Target	FY20 Q1	Rating
Tax protest cases resolved	1,320	1,003	1,525	395	G
Internal audit recommendations implemented	94%	61%	94%	25%	G
<b>Program Rating</b>	<b>Y</b>	<b>G</b>			<b>G</b>