

For the third quarter of FY23, the Taxation and Revenue Department (TRD) fell short of its target for collectible audit assessments but is on track to meet its annual target for tax collections, with nearly all categories of collections being substantially higher than those submitted in the third quarter of FY22. TRD anticipates issuing over \$600 million in tax rebates through FY24 and accepted over one million personal income tax returns.

### Tax Administration

Of the \$1 billion in outstanding tax collections for the state, the program collected \$124.5 million at the end of the third quarter, slightly under 10 percent of the outstanding balance. According to data on outstanding amounts, an estimated \$26.5 million would be uncollectable after FY24 due to the 10 year statute of limitations for tax collections. As the collections for the tax gap widens each year, outstanding amounts compound. For the past few years, audits were performed on taxpayers that have an indication of being collectable. By FY27, the state could be at risk of forfeiting close to \$100 million of uncollected taxes because of the statute of limitations, unless the debt is secured in a lien. TRD states debt is collectible after 10 years and expired debt can be reactivated. TRD also states debt within one to four years is easiest to collect, and the largest debt category is sole proprietors. Due to 2016 legislation, TRD cannot collect balances in protest until after 90 days, a fluid three month amount that is hard to pin down, essentially making the forgone FY24 amount closer to \$37.9 million depending on how much was protested. This is in addition to the uncollected total. The top collection revenue sources have been gross receipts tax, at \$72.9 million, and personal income tax, at \$28.8 million.

**Budget:** \$23,383.8 **FTE:** 340.66

Measure	FY21 Actual	FY22 Actual	FY23 Target	FY23 Q1	FY23 Q2	FY23 Q3	Rating
Collections as a percent of collectible outstanding balances from the end of the prior fiscal year*	17.6%	15.5%	20%	6.3%	9.8%	10.1%	<b>R</b>
Collections as a percent of collectible audit assessments generated in the current fiscal year	30.3%	40.5%	60%	41.8%	48.6%	50.5%	<b>G</b>
<b>Program Rating</b>	<b>R</b>	<b>R</b>		<b>Y</b>	<b>Y</b>	<b>Y</b>	

\*Target is cumulative

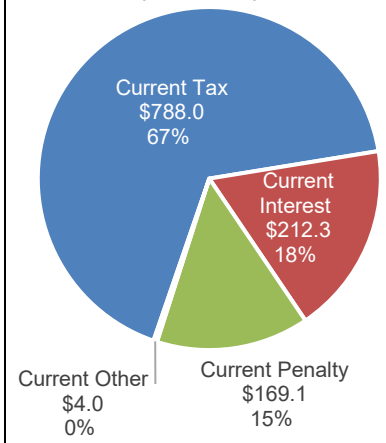
### Compliance Enforcement

The Tax Fraud and Investigation Division reported one case referred for prosecution and 43 open investigations. Court jurisdictions must set dates for open cases. Without confirmed court dates, the division anticipates it will continue to lose criminal charges on specific, pending cases due to the statute of limitations. Court scheduling continues to be delayed and no pending cases have been prosecuted in the third quarter.

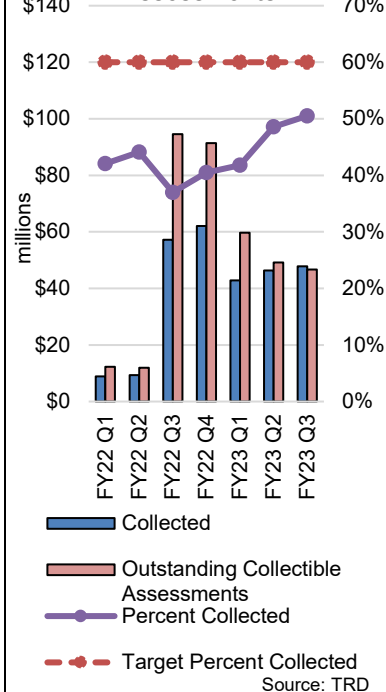
### ACTION PLAN

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

**Outstanding Tax Amounts by Category**  
\$1.173 Billion Total  
(in millions)



**Collections as a Percent of Collectible Audit Assessments**



Source: TRD

**Budget:** \$1,870.3 **FTE:** 21

Measure	FY21 Actual	FY22 Actual	FY23 Target	FY23 Q1	FY23 Q2	FY23 Q3	Rating
Tax investigations referred to prosecutors as a percent of total investigations assigned during the year	67%	50%	85%	0%	20%	20%	R
Successful tax fraud prosecutions as a percent of total cases prosecuted*	N/A	100%	100%	0%	0%	0%	R
<b>Program Rating</b>	<b>R</b>	<b>G</b>		<b>R</b>	<b>R</b>	<b>R</b>	

### Motor Vehicle

During the third quarter of FY23, Motor Vehicle Division average wait times in both “Q-matic” equipped offices and call centers remain lower than average, and continued to be less than half the waiting time—a little over five minutes per call. MVD remains on track to reach FY23 performance targets.

**Budget:** \$47,865.2 **FTE:** 332

Measure	FY21 Actual	FY22 Actual	FY23 Target	FY23 Q1	FY23 Q2	FY23 Q3	Rating
Registered vehicles with liability insurance	91.0%	91.1%	92%	91%	90.5%	90%	Y
Average wait time in “q-matic” equipped offices, in minutes	8:00	6:48	5:00	5:27	4:49	4:17	G
Average call center wait time to reach an agent, in minutes	15:11	8:38	10:00	10:58	5:05	5:02	G
<b>Program Rating</b>	<b>Y</b>	<b>Y</b>		<b>G</b>	<b>Y</b>	<b>Y</b>	

### Program Support

The division reports 2 percent of tax protest cases were scheduled for hearing at the Administrative Hearings Office compared with 4 percent last quarter. The division is on track to meet its performance target for the number of tax protest cases resolved, resolving 497 protest cases in the third quarter of FY23, or about 33 percent of its total target number of cases for FY23. No new audits were implemented this quarter. A total of 40 internal audits were processed and resolved with five procedures transferred to another department and five canceled.

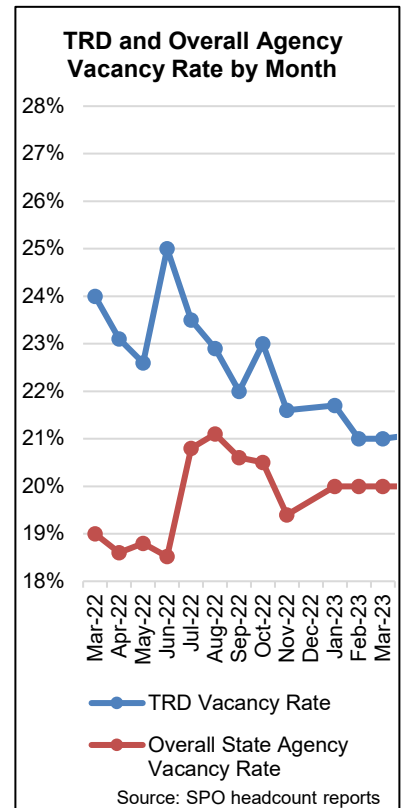
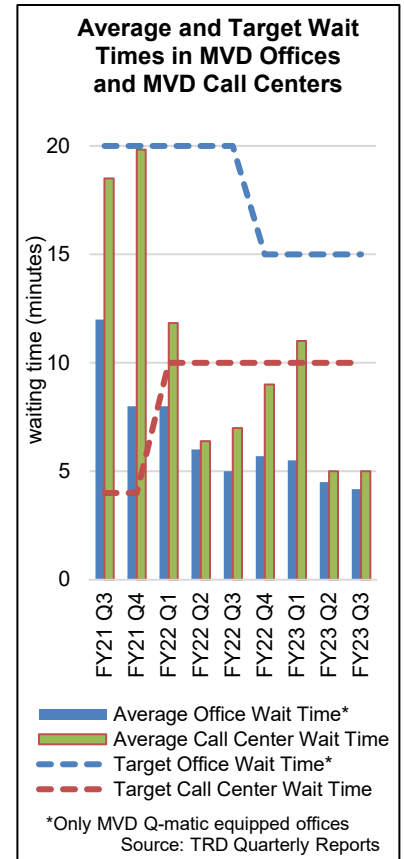
**Budget:** \$10,501.5 **FTE:** 102

Measure	FY21 Actual	FY22 Actual	FY23 Target	FY23 Q1	FY23 Q2	FY23 Q3	Rating
Tax protest cases resolved	1,590	1,690	1525	435	387	497	G
Internal audit recommendations implemented	100%	97%	90%	100%	0%	0%	G
<b>Program Rating</b>	<b>G</b>	<b>G</b>		<b>G</b>	<b>G</b>	<b>G</b>	

\*Measure is explanatory and does not have a target

### Property Tax

The Property Tax Program collected and distributed \$3.7 million to counties in delinquent property taxes in the third quarter of FY23, about 73 percent of the



annual target, recovering 6.5 percent of total delinquent property taxes. The program has scheduled delinquent property tax auctions in McKinley, Torrance and Mora counties. A temporary restraining order that has restricted a large number of delinquent parcels in Valencia County continues to be in place. The total statewide outstanding amount in property taxes is \$15.7 million. The program also states that, of the \$150 thousand in delinquent parcels for the state, \$50 thousand is in Valencia County alone, a workload volume that exceeds the division’s workforce capacity.

**Budget:** \$6,414.2 **FTE:** 40

Measure	FY21 Actual	FY22 Actual	FY23 Target	FY23 Q1	FY23 Q2	FY23 Q3	Rating
Delinquent property tax collected and distributed to counties, in millions	\$8.2	\$12.0	\$10.0	\$2.0	\$1.6	\$3.7	Y
Percent of total delinquent property taxes recovered	18.7%	23.0%	15%	3.8%	2.8%	6.5%	Y
<b>Program Rating</b>	<b>G</b>	<b>G</b>		<b>Y</b>	<b>Y</b>	<b>Y</b>	